New York: Cor \$398.5 (393.9) \$390.5 (388.75) \$35.1 (35.2) Chief price changer yesterday: Page 21

Y136.2 (136.9) Toloro close: Y136,65 US closing rates US closing rates
Fed Funds 9% (8<sup>1</sup>4)
-tao Trassury Bills:
yield: 7.38% (7.39)
Long Bond:
99 & (99)
yield: 8.82% (8.82)

315.79 (+0.58) Tokyo; Nikkel 22,849,39 (-49.02) LONDON MOREY

closing 14语% (14發) Liffe long gift fut Dec 83.52 (83)

**BRITISH INDUSTRY** 

Why 1990 is not 1979

Φ D 8523A

#### World News **Business Summary** Rwanda asks US budget Belgium to

## send urgent military aid

FT No. 31,268
• THE FINANCIAL TIMES LIMITED 1990

Belgium said it was considering an urgent plea from its former colony, Rwanda, for military help to fight rebels who have advanced to within 70km of the capital from neighbouring

Uganda. The rebels were described as members of the minority Tutsi tribe, who ruled the country before independence

Contras take town About 200 right-wing, ex-Contra rebels, angry at the government's failure to provide a resettlement package, captured a northern Nicaraguan town and took control of a key road.

Soviet famine threat The Soviet Union faces famine and a disastrous production siump next year, warn four senior state planning committee specialists in an open letter to the Soviet parliament. Page 2

German unity plea Germany must act as a pivot of democracy for the whole of Europe, President Richard von Weizsäcker declared as the country celebrated unity. Page 20; Germany unites, Page 3; Book Review, Page 18

IRA suspects held Two men suspected of carrying out IRA terrorist bombings on the UK mainland were arrested in the car park of the

Stonehenge monument, southern England. Bulgarian N-warning Workers at Bulgaria's only nuclear power station warned that a reactor under construc-tion is riddled with safety prob-lems and could explode if started up. "We don't want another Chernobyl," they said

Greek smog danger Greece barred private cars from downtown Athens for five hours and advised the seek and elderly to stay home as smog conditions reached dan-

gerously high levels. Noriega charged Panama charged deposed dicta-tor Manuel Noriega with order-ing the 1985 murder of a fierce government critic, whose grue-

parliamentary election. Page 6

25 die in bus crash

A coach plunged off a viaduct

in pouring rain in northern Italy, killing at least 25 elderly

Hunger strike ends

The head of Armenia's Ortho-dox church persuaded four members of parliament to end

a hunger strike over the dis-

puted territory of Negarno-Karabakh, the Soviet weekly Literary Gazette said.

FT wins national

been named Britain's heat designed national daily newspaper in the 1890 Linotype

Linotype

design award

THE FINANCIAL TIMES but

Italians on an outing.

some death sparked the first protests against him. Page 8 Bhutto deflant Ms Benazir Bhutto, Pakistan's ousted prime minister, vowed to get rid of the president of Pakistan if she wins a special

tions in the north of the UK. Page 10; Lex. Page 20 Monaco royal dies Stefano Casiraghi, husband of Princess Caroline, was killed after his speedboat filipped in a world championship race.

ing at least an extra £100m by next March. Page 10

net income at \$20.8m, thanks to improved gross margins and sales gains. Page 23 SEALINK Stena Line, ferry

company formed when Stena Line of Sweden took over Sea-link British Ferries, is proposing to cut 849 jobs in the next 18 months to improve its performance. Page 21

TRADE: US Commerce Department has intensified demands that Japan overhaul bidding procedures for construction

FIAT Group is expected to sig-nal an important change in its strategic priorities today based on surrendering control of selling Telettra, its telecom-munications subsidiary.

Page 21 HARRISONS & Crosfield, UK fied away from plantations and into chemicals, building supplies and food, increased pre-tax half year profit by 2 per cent to £57.5m. Page 29

## deal likely to be approved by Congress

The outcome may be close, but the odds are that the US budget package will overcome its first congressional hurdle and be approved in principle later today following an inten-stve lobbying effort by Presi-dent George Bush and his top officials. Page 20

Against the D-Mark (DM per \$)

On foreign exchange markets, the dollar weakened and prices of US government bonds rose. At the London close, the dollar finished at DM1.544 compared with DM1.555 on Tuesday, and at Y136.1 against Y136.9. The dollar also closed lower in New York, finishing at DM1.5423 and Y136.08 in quiet trading.

Currencies, Page 38 NEWS Corporation, Rupert Murdoch's media group, plans to move to 24-hour publishing in Australia's two biggest cities to stem losses incurred by its evening newspapers. The move means the end of independent publication of the evening Daily Mirror in Sydney and the Melbourne Herald.

KINETICA, gas marketing company owned jointly by PowerGen and Conoco of the US, signed what is believed to be the single largest gas deal for the UK industrial market.

MTM, UX specialist chemicals manufacturer, is to buy Hard-wicke Chemical Company of the US from Ethyl Corporation

for \$112m. Page 21 SOCIETE Générale, French private bank, reported 17 per

cent drop in first half net profits, confirming anxieties over a downturn in profitability of French banking. Page 22

RANK of Scotland produced a 9 per cent increase in interim profits before tax in the six months to August 31, reflecting more buoyant business condi-

**BRYTISH Rail** expects its UK property sales to be £120m (\$225m) below forecast this year, which will entail it rais-

SAPEWAY Stores, Californian supermarket chain, reported strong growth in third-quarter

conglomerate that has diversi-

Gorbachev sent a senior envoy to the Middle East yesterday in Sep 1990 Oct Source: Detailment a fresh initiative to avert conflict in the Gulf. It is the first public visit to Iraq by a top-level negotiator from one of the five permanent members of the United Nations Security Council since the invasion of Kuwait two months

Mr Evgeny Primakov, a member of Mr Gorbachev's Presidential Council, arrived in Amman on the first leg of a trip due to take him to Bagh-

By Peter Riddell, US Editor, in Washington

THE US budget agreement to cut the

federal deficit was yesterday endorsed as "credible" by Mr Alan Greenspan, chairman of the Federal Reserve, raising hopes of a cut in interest rates if Congress approves the \$500hn fivewar rackage later this month

Mr Greenspan's comments, to a

to a weakening in the dollar on for-eign exchange markets and pushed up prices of US government bonds. He gave no indication of when and by how much short-term interest rates might be reduced, though the Fed,

whose policymaking Open Market

Committee met on Tuesday, is expec-ted to be cautious because of continu-

ing fears about rising inflation.

Ahead of key (and probably close)

year package later this month.

dad today. His visit comes a day after President Saddam Hussein flew to Kuwait, his first known trip to the emirate since his army overran it on August 2. The official Iraci News Agency said the president toured Kuwait City yesterday, reviewed troops and held meetings with military commanders. Soviet officials declined to

desire to see a political settle-ment to the problems created by Iraq's invasion.

The Soviet Union has been co-ordinating its position closely with the US, and this was undescored again yesterday by their two foreign ministers, Mr Eduard Schevardnadze and Mr James Baker. nadze and Mr James Baker,

give details of the mission other than to stress Moscow's

Mr Primakov told a Soviet newspaper that the Gulf constituted "a unique laboratory" for the two superpowers to test their new-found solidarity on regional issues and efforts to create a "new world order." The previous attempt to find a solution within the frame-work of UN resolutions calling

By Leyla Boulton in Moscow and lan Davidson in Paris SOVIET President Mikhail drawal was the abortive mission of Mr Javier Pérez de Cuellar, UN secretary-general, at the end of August.

FINANCIALTIMES

Thursday October 4 1990

votes in the House and Senate later

today, Mr Greenspan warned that

"failure to enact the agreement would produce an adverse reaction in financial markets that could undercut our economy – already significantly weakened by the shock of the Middle

weakened by the shock of the Middle
East crisis and problems in our financial system". He said rejection would
be "a grave mistake".

Similarly, President George Bush
warned that the Congress would be
"courting disaster" if the package was
not passed. Mr Bush yesterday continued intensive lobbying efforts, postponing a planned campaign trip, in
the hope of winning over sufficient
Republicans critical of the proposed
tax increases.

tax increases.
In an effort to step up pressure, a

Soviets send top envoy to

Separately, nine French hos-tages arrived in Jordan after being released by Iraq on humanitarian grounds while President François Mitterrand of France arrived in Abu Dhabi at the start of a two-day visit. Yesterday, the French Gov-ernment again firmly rejected suggestions, prompted by Mr Mitterrand's slightly more conciliatory speech to the UN Gen-eral Assembly last week, that Paris was backing away from the terms of UN resolutions in

In Amman, Mr Primakov handed King Hussein of Jor-dana letter from Mr Gorbachev. Moscow is keen to exploit what it calls the "Arab factor," calling for a Middle East peace conference on Pal-estine and Lebanon as a means of defusing the Gulf crisis. General Mikhail Moiseyev, the Soviet chief of staff, pre-

search of a soft diplomatic

dicted that economic and political sanctions as well as desertions from the Iraql army would push Mr Saddam Hus-sein towards a peaceful solu-tion. The general, on a tour of the US, was quoted as saying that the Iraqi leader was "in economic and political isola tion and be can't survive very

long that way."

The Soviets are immediately concerned about 5,174 citizens still in Iraq. Exit permits for 870 oil workers in southern fraq and 372 builders a thermal power plant near Baghdad have been withheld, the Soviet Foreign Ministry said.



Greenspan endorses budget plan to cut federal deficit

White House spokesman said the

administration did not at present

have enough votes in the House of Representatives to pass the plan. The

Democrats, who control the House, are unlikely to back the package unless a majority of Republicans do so. The general expectation is that the

broad targets of the agreement will be approved today.

Mr Greenspan suggested that the package fulfilled his preconditions for acceptability. He said: "The budget

summit has crafted what appears to be a credible enforceable reduction in

the budget deficit stretching over a number of years." He noted that, if enacted, the package should lessen

pressures in credit markets and

François Mitterrand leaves for the Gulf yesterday

Mr Gilles Munier, one of the Frenchmen involved in negotiating the release of nine fellow yesterday that negotiations countrymen from Irag, where they had been part of Mr Saddam's "human shield" against potential attack, said yesterday: The Iranis are willing to consider releasing all French hostages if a top official from the government or the opposi-tion goes to Iraq."

In another diplomatic devel-

yesterday that negotiations were possible with Iraq. Mr Youssef Ben Abbes, Moroccan ambassador to France, said: "The annexation of Kuwait can be discussed and negotiated."
Iraq sought "a better access to
the sea, joint oil exploitation
and cancellation of debt". UK petrol prices cut, other Gulf reports, Page 4

#### secretary, said the agreement should sustain investors' confidence in the US. He noted that in the last year or markets has been quite positive. though perhaps restrained by criticism that seemed to make prospects for enactment less certain." While so foreigners were buying only 15 per cent of US government debt issues, down from roughly a third. So we're on notice in a gentle, sloping way that the rest of the world is no longer going to fund the deficits that we of the package, he suspected that the process "probably has unearthed the maximum cut in the deficit feasible at

come up with each year."

Karen Zagor adds from New York:
The bond market reacted mutedly to this time, with about the only mix possible, given the political context."

Asked if reducing the deficit would have a downward effect on interest rates, he replied, "most certainly." Mr Greenspan's comments yesterday, reflecting market sentiment that the Fed will not ease monetary policy until the budget accord is approved

by Congress.
Bush onslaught on Congress, Page 8;
Currencies, Page 38; Market reports,
Back page, Section 2

#### Polly Peck plans to halve £850m Iraq in fresh bid for peace debt burden

By David Barchard, Alan Friedman, Clay Harris and Richard Waters in London

MR ASIL NADIR, chairman of the troubled Polly Peck inter-national, said yesterday that the company would on Friday present its UK hank creditors with a comprehensive package of measures aimed at halving its £850m (\$1.6bu) debt burden. Mr Nadir told the Financial

"Reflecting these favourable pros-

pects, the initial reaction of financial

expressing some doubts about the mix

Mr Paul Volcker, Mr Greenspan's

predecessor as Fed chairman, described the package as "a positive

step" which ought to be passed.

Mr Nicholas Brady, the US treasury

Times: "I am confident that the banks will agree to roll over our short-term debt when they see our programme." He confirmed that Polly Peck had stopped all payments to bank creditors before Friday's critical meeting with its banks which will play a key role in determining whether the troubled fruit, consumer electron-

ics and leisure company survives in its present form. The company falled to repay a 240m line of credit last Fri-day when it learned that cash it had hoped to remit from

northern Cyprus would not be available. It has also become clear that "liquidity problems" which Polly Peck acknowledged in a statement on Monday-night began long before its shares were suspended on September

The cash shortage has now reached the point, however, that Polly Peck has decided not to pay any money to unsecured lenders before tomorrow's meeting. It wants to avoid hav-ing shown preference to any of them if it did end up being placed in administration or another form of liquidation.

Its aim tomorrow will be to convince Standard Chartered, co-ordinator of the company's bank creditors and other institutions, that they should roll over £117m of short-term loans in the expectation that further funds will be raised before the

end of the year. Mr Nadir said Polly Peck restructuring measures, includ-ing some asset disposals.

"The company will go ahead with its programme of de-gear-ing which was already in place before recent events, and I would like to get the gearing ratio down to 20 to 30 per

Mr Nadir said that First Bos ton, the New York investment bank, had been retained to advise on plans to restructure Polly Peck's Del Monte fresh fruit subsidiary and raise sev-eral hundred million dollars by offering a minority stake in Del Monte on the New York Stock

Monte on the New York Stock Exchange.

The Del Monte share issue plan is to be presented to creditors as evidence of the company's ability to ride out its current liquidity problem. However, Mr Nadir confirmed that no filings had yet been made with the US Securities and Exchange Commission. and Exchange Commission, and that any flotation of Del Monte was four to five months

Speaking in his office at Polly Peck's London headquarrers, Mr Nadir said that Kidder Peabody, the Wa'l Street investment firm, had also been retained to advise Polly Peck on its financial strategy. Polly Peck acquired Del Continued on Page 20
Payment seized by bank,

## GM and other groups seek to make cars in Czechoslovakia

By Kevin Done, Motor Industry Correspondent, in Paris

GENERAL MOTORS of the US, the world's biggest vehicle maker, is negotiating to build cars in Czechoslovakia as part of an ambitious strategy in

eastern Europe. However, it faces competition from several other west-ern groups. Czechoslovskia is viewed by western car-makers as one of the most promising locations in eastern Europe. Volkswagen of West Germany and Renault/Volvo, the recently formed Franco/Swedish alliance, have submitted bids in recent days to take substantial equity stakes in Skoda, the established Czechoslovak

car maker.

GM has already announced plans to begin car assembly and engine production in Hungary, and is expected to decide soon to press ahead with a significant investment in Risenach in former East Germany to build an assembly plant producing 150,000 cars a year.

Mr Robert Eaton, president of GM Europe, disclosed at the Paris Motor Show that the company was considering car production in Czechoslovakia

by surfelt of would-be advisers

works.
GM is already seeking to in Czechoslovakia – most probably with BAZ – to make up to 250,000 car gearboxes a year, but Mr Eaton said that an earlier plan to assemble light commercial vehicles was no

Inger a short-term priority.

The company said earlier this year that it would begin small volume car assembly in Risenach from SKD (semi-knocked down) kits supplied by the semi-knocked priority supplied by the semi-knocked priority supplied by the semi-knocked priority supplied by the semi-knocked semi by its western Europe plants, and Mr Eaton said yesterday that the first Opel Vectra would roll off the assembly line in Risenach on Friday. Production would be at a rate of 10,000 cars a year.

The next stage of GM's investment in Risenach, where Wartburg cars are currently produced, could total DM500 DM750m (\$318m-\$477m) and would involve a car plant with body welding, paintshop and final assembly operations.

Most sheet metal stampings are expected to be supplied in wester with air expects to can in the care of the car

in a joint venture with BAZ, from western Europe plants.
the Bratislava automotive Mr Eaton said GM was considering assembling the Ope Kadett in Eisenach and possibly a second car range. It is understood that this is most likely to be the Opel Corsa

If GM approves the Eisenach investment, Mr Eaton said that production would begin in 1993. It was intended that the plant would be a wholly owned GM venture led by Opel, GM's German subsidiary, without a local partner.

of GM is to acquire a 75 per cent stake in Diavia and Aura, Italian makers of automotive air conditioning units, in a deal worth \$57m. It is buying out the stake currently held by United Technologies of the US. Air conditioners are seen as

an important growth market for automotive components suppliers in western Europe in the coming decade. At present only around 10 per cent of cars in western Europe are fitted with air conditioners but GM expects this to grow to 25 per cent in the next five years.

## The chairman said, "Give me one good reason for staying in London."



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Nelson Bakewell.



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land in EC Edged out of mainstream to the Eastern Europe bedevilled South Africa: Black Africa is now less secrefive about trade with the white-ruled state...... 6 Uncertainty for Ottower Oil price puts skids under Canada's economy .... Advertising stamps The causes of the present doom and gloom \_\_\_\_\_\_12

Management: After a difficult year, Apple Computer is back on the offensive \_\_\_\_\_\_12 Reform in China: A nominal pause, but some

finance minister. abhors partial reform and faulty political

People could not

afford once more to.

put their fates into the hands of irresponsible

intellectuals": Vaclay

Klaus, Czechoslo-

vakia's go-ahead

STERLING. New York close \$1.899 (1.893) \$1.90 (1.8885) DM2.8325 (2.9375) FF19.8275 (9.84) SF12.4425 (2.44) Y258.5 (258.5) £ index 93.5 (93.5)

MARKETS

GOLD N SEA OIL (Argus)

STOCK INDICES DOLLAR New York close DM1.543 (1.54965) 2,087.0 (+28.5) FFr5.1725 (5.192) FT Ordinary: 1,619.0 (+24.3) SFr1.2845 (1.28) Y136.2 (136.73) FT-A All-Share: 1,002.28 (+1.2%) DM1.543 (1:555) New York close FFr5.1725 (5.21) DJ ind. Av. SFr1.2845 (1.292) 2,521.04 (+15,84) S&P Comp

#### **EUROPEAN NEWS**

## Commission urges | Construction scandal raises fears of Mafia in Milan need to improve standards system

By Lucy Kellaway in Brussels

A NEW European industrial standard will have to be created every day if the EC is to meet its target for creating a single market by 1992, the Commission warned yesterday. In a green paper (discussion

document) on European stan-dards, the Commission com-plained that the length of time it takes to develop a standard about three years — is still far too slow, and said that absolute priority had to be given to the area in order to

quicken the pace.

It called on the private sector to become more involved, arguing that at present many companies are not aware of the important role that standards play in the European market.
Standards are necessary for
the completion of the single
market as goods built in accordance with those standards
can automatically be sold any-

can automatically be sold anywhere in the community.

To date they have been the most neglected part of the 1992 programme; although member states have greatly speeded up the passage of technical directives setting minimum safety levels, the experts which set the standards – which explain how those safety levels are met – have continued to work slowly.

slowly.

Even though progress has speeded up recently, it is still not fast enough. By 1983 only

56 standards had been agreed, whereas by the end of 1989 the

At the moment European standards are drawn up by a association largely made up of representatives from national tandard bodies.

The document calls for faster methods of work by these standard setters with less rigid lim-its on people and a greater budget than at present.

It argues for closer links with other European countries that are not presently mem-bers of the EC, but which are likely to join in the future.

The green paper recom-mends that for now better links should be established between national standard bodies, but eventually envisages a new organisation for setting European standards in which

The paper does not recommend that the transition should be immediate. Although many experts feel that drastic and instant change is needed to break the bottleneck, many member states had argued that wholesale changes to the sys-tem before 1992 would slow matters down further.

The Commission plans to produce its ideas for a new sys-tem of European standards early next year.

## EC acts to close bank supervision loophole

By Lucy Kellaway in Brussels

THE European Commission yesterday came out with a proposal for a new directive to further tighten and harmonise banking supervision in the EC. The proposals would mean better protection for depositors and would give banking super-visors in member states a better view of the solvency of hanks that are a part of con-glomerates, the Commission

Under the existing 1983 directive on banking supervi-sion, any bank not owned by a credit institution is not subjected to consolidated supervi-

This has created a large loop-hole in the system of regula-tion, meaning that banks with complicated parent company structures can escape the rigours of supervision on a consolidated basis.

ties of a banking group

together, regardless of any sep-arate legal companies set up within the group.

Under the proposed directive, banks owned by financial holding companies – ie a com-pany whose subsidiaries main activity is banking - would be treated just like banks.

The measure would also mean that general conglomerates which are not financial holding companies, but which own banks, will be obliged to provide any information on request to the regulatory

The Commission emphasised yesterday that the point of the directive was not to set the regulatory rules for financial congiomerates — for example banks and insurance groups — but to ensure that banks which belonged to a group were not getting away with lighter nique that lumps all the activi- supervision than those on their

#### Brussels sets deadline on observing competition rules

By Lucy Kellaway

THE European Commission said yesterday that the former East Germany would have three months to comply with some of its harshest rules on

Any companies that have established restrictive agreements which break article 85(1) of the Treaty of Rome would have until the beginning of January 1991 to bring the agreements within Community

The forgiveness period will mean that many German companies, which have struck up anti-competitive deals in the east that would have been breaking EC law as from yesterday, will be given a chance to change the arrange-

Article 85(1) applies to any kind of agreement on price fix-ing or production sharing, or any other deal that might put third parties at a competitive

disadvantage. However, the Commission stressed yesterday that other parts of competition law would apply from now on in all parts of Germany.

Any large German companies announcing mergers will fall under the new EC regulation, and will be obliged to notify Brussels.

The Commission has been en to ensure that the unified Germany complies with EC competition rules as quickly as

However, many officials are concerned that the strains of transferring from a managed to a free market economy will mean that many German prac-tices will be illegal under EC rules. The Commission is also worried at the number of former West German companies taking over eastern their East

MILAN, commercial jewel of the stalian north, is struggling to protect the vestiges of its claim to be "moral capital of staly" as another construction scandal focuses public attention on possible Masia penetration of its political and business life.

In the view of many professional observers, the Mafia now plays an important part in Milanese business, including the city's stock market.

"Organised crime is a business like any other which finds the opportunity

in Milan to invest and to recycle ille-gal money. The stock market itself is open to such activities," said the state's chief prosector in Milan, Mr

Concern on

By Laura Silber in Belgrade

YUGOSLAVIA'S federal economic stabilisation pro-gramme is being undermined by a growth in personal and public spending, as the administrations of the the six republics pursus unco-ordinated economic poli-cies against central government directives, according to senior federal government figures. "The uncontrolled growth in personal income and of spend-

He questioned Yugoslavia's ability to meet next quarter's 1.5 per cent inflation rate target. The cost of living in September increased by 7.6 per cent, compared with 2 per cent the previous month. The annual figure for last year was more than 2 000 per cent.

Markovic, inflation

the republics. However, some republics are defying the central government by granting pay rises in excess of inflation, while others are increasing the price of petrol in others.

A self-appointed parliament, claiming to represent Crostia's 600,000 Serbs, this week pro-claimed Serbian autonomy in Croatia, Yugoslavia's second

biggest republic. Serb activists have threatened to secede if Croatia gains more independence within the shaky Yugoslav federation.

The eight-member collective Yugoslav state presidency failed to find a solution to the crisis on Tuesday, after a 14-German counterparts.

Trade waiver sought, Page 5

Crisis on Tuesday, after hour emergency session.

Adolfo Beria d'Argentine, earlier this year. He called for a special drive against the Mafia, comparable to that made a decade or more ago against

The latest scandal has broken at a time when public concern in Italy about Mafia activities is touching one of its periodic peaks. The fact that certain members of the present gov-ernment are suspected of links with organised crime, that the anti-Mafia battle in Sicily appears to have been stalled for extremely obscure political and organisational reasons and that Mafia gummen can still kill a magis-trate at will, as they did recently in

the Agrigento region of Sicily - these have all conspired to support the con-cinsion that there are very few effec-tive antibodies to the Mafia virus. The Milan city council decided this

The Milan city council decided this week against launching any inquiry into allegations that a 31-year-old Sicilian constructor, a relative of known Mafia bosses, had paid bribes to a councillor in support of a quest for building permits. Newspaper leaks of the magistrates' design show that an official belevious tan on Mr. Auton. an official telephone tap on Mr Anton-ino Carollo captured him claiming that he had paid L200m (£90,580) to the councillor responsible for urban construction, Mr Attilio Schemmari,

and that he also had easy access to the Socialist Mayor, Mr Paolo Pilliteri Both men have launched court actions to defend their name against the allegations and Mr Schemmari has also suspended two senior offi-cials in his department on the grounds that they might "tamper with the evidence."

Meanwhile, an editorial in the newspaper Corriere della Serra yester-day said that the magistrates did not em to be in a hurry to get to the bottom of the affair.

Italy's second city has been repeat-edly shaken in recent years by allega-tions of bribery and corruption over

building contracts.

One of its largest and most controversial constructors, the Sicilian Salversial constructions, the Sachan Salvatore Ligresti, who controls three publicly quoted companies, is convently appealing against prison sentences handed down after land and construction deals which raised construction deats which raised embarrassing questions about his relations with some Mileness politi-cians and administrators. But the Carollo case carries with it both a stronger "odour of Maña" than many previous scandals and the inevi-tably supporting impression that

tably supporting impression that the affictions of Naples and Sicily have now moved solidly north.

## Yugoslav spending rise

ing over the past months threat-ens the stand-by arrangement with the International Monetary Fund and the entire anti-infla-tion and stabilisation pro-gramme, said Mr Branimir Zekan, Federal Secretary for

2,000 per cent Under Prime Minister Ante

has been cut, the dinar was made convertible last January made convertible last January and currency reserves are expected to reach \$10 in by the end of the year. Those reserves, however, have not been invested in industry, and production levels are falling.

The country's precarious economic stability hinges on strict adherence to federal laws by all the republics. However, some

Serb rebels shoot Croat policemen

TWO CROAT policemen were shot by Serb militants late on-Tuesday night in the continuing conflict between Yugo-slavia's two largest ethnic

group.
They were shot and wounded when they refused to hand over their weapons after being stopped at a roadblock in the town of Vrbnik near Knin. Croatia radio reported that other Serbs used "Molotov cocktails" to firebomb several

Creatis" to incomin several Creat-owned shops in Knin.
Serbs, who comprise about it per cent of Creatia's 45m population, have staged an uprising against the Creatian Democratic Union, the republic's ruling party, which came to power in free elections last April



THE CHAIRMAN of the Supreme Soviet, Mr Anatoly Lukyanov, pictured yesterday struggling to keep order during a stormy debate over a proposed new law on public organisations — the legal basis for a

multi-party system in the Soviet Union.

Civilian and military deputies disagreed over whether to allow Communist party

## Soviet planners warn of famine

By Quentin Peel in Moscow

THE CENTRAL planning and THE CENTRAL planning and supply system in the Soviet Union has already virtually collapsed, and the country faces a disastrous slump in production next year, according to an open letter to the Soviet parliament.

In a furious attack on the transition to a market economy, four senior specialists in Gospian, the state planning committee, warn that the country faces famine and mass epidemics, as well as a slump in production of anything from 30 to 70 per cent, because of the disintegration of the old economic system.

The open letter, published in full on the front page of Sovietskaya Rossiya, the official newspaper of the Russian Communications of the Russian Communication of the newspaper of the Russian Com-munist Party, says that it is already too late for industrial enterprises to conclude their necessary supply and delivery contracts for 1991.

It calls for the declaration of a state of emergency for sup-plies of both food and con-sumer goods, to provide people with basic "life insurance".

The planners say that in the

The planners say that in the entire engineering industry, enterprises had only concluded

between 5 and 8 per cent of their necessary supply con-

tracts by August, when nor-mally they should have fin-ished the entire-process by

Without emergency impos tion of new supply contracts by the central government, they say, "the economic crisis will become irreversible. The fall in production in all spheres of the economy will grow progressively worse.

In the first half of the year, this decrease may reach 30-40 per cent, and in some cases, 50-70 per cent. Many plants will come to a standatill and go bankrupt. Workers will not get their wages and entire work collectives be made redun-

Mil Pair?

THE STATE OF

#**12 12 14 1 14 1 1** 

They refer to 1991 - the key transition year to a market sys-tem according to all the eco-nomic reform plans now before the government — as the "pe-riod of destablisation," and warn that food supplies between republics will only be available in barter trade.

Publication of the letter comes at a key moment in the economic debate, with Presi-dent Mikhail Gorbachev draft-ing final details of a single plan for transition to a market ocon-

#### Airlines fly International issues pass by more people, Austrian election campaign profit little

By Judy Dempsey in Vienna By Paul Abrahams

AUSTRIA'S Socialist Chancellor, Mr Franz Vran-itzky, yesterday welcomed Ger-man unity in a nation-wide A 10 PER CENT increase in the number of passengers on inter-national scheduled flights, operated by the 21 members of the Association of European Air-lines during August, was described as profitless yesterradio broadcast. But his mea-sured words failed to stir the public's interest in this historic

Indeed, the Austrian public, cost bases have increased over the last 12 months eroding tion on Sunday, appears reinc-tant to become interested in any events outside its immedialready thin margins and reduc-The crisis in the Gulf. affect-

"In this election campaign, there is a big difference between the public issues: cor-ruption and scandals; and the private issues: the economy, environment, foreign policy," the Chancellor said yesterday in an interview with the Financial Times.

This reluctance by the public to be interested, not only in German unity, but in the Gulf crisis, and nearer to home, in eastern Europe and the Soviet Union, is confirmed in the election campaign. "Is is petty and boring. Peo-

ple's horizons are narrow. Indeed, despite all the changes at our door, I think the public have become even more inward-looking," was how one senior banker described it. Despite the concentration on scandals and corruption which are a regular feature of Austrian life, and in the campaign itself, the Chancellor has set his sights on tackling four issues if his Socialist-led gov-

• The environment. Mr Ferdi-

include:

ernment is returned. These



Chancellor Franz Vranitsky: He is setting his sights on four

aimed at penalising environ-

aimed at penalising environmentally-polluting enterprises.

Tighter monetary and fiscal measures must be applied with the aim of consolidating and reducing the budget deficit to the goal of 2.5 per cent of gross domestic product by 1922.

Strict monetary policies were postponed following revenue gained from privatisation, tax reform, which increased public consumption, and higher-than-expected growth rates. But the consensus among economists is that the state pension fund (which has a deficit of Sch54bn [22.7bm], the railways (which require a Sch24bm subsidy from the federal budget), and the gargantuan civil service (accounting for nearly a third of the Sch54bh examarked for total public expenditure) was the nand Lacina, the Finance Min-ister, has drawn up a plan public expenditure), must be

tackled by the next administration. • Privatisation, which was first introduced in the was first introduced in the autumn of 1967, will continue apace. The law whereby the republic retains a 51 per cent stake in either industry or banks will be reduced. However, the republic will introwill remain in Austrian hands. • Foreign policy. Mr Vran-itzky believes the Government will continue the visa requirements for Polish, Romanian Bulgarian and Soviet citizens on the grounds that those entering Austria are seeking quick and illegal economic

main targets

Furthermore, The Chancel-lor appeals to European gov-ernments to help the countries of eastern Europe restructure their economies and adopt immigration policies if these new democratic governments are to build on the peaceful revolutions of 1989. "I think our expectations are far too high given the tasks

eastern Europe. Mr Stanislav Shatalin [Mr Gorbachev's close economic adviser] raised this very point when I met him here in my office two weeks ago," said Mr Vranitzky.

The Chancellor feels that not

enough concrete support is forthcoming from the international community. And although the federal government has already established, and backed, an east-west fund to the tune of Schöm, he is not even certain that the Austrian even certain that the Austrian public itself is interested in the fate of eastern Europe.

#### **MEPs told** to leave riot enclave

A Soviet army-commander A Seviet army commander yesterday expelled a European Parliament delegation from the riot-torn enclave of Nagorno-Karabakh, according to Tass news agency, Reuter reports from Moscow.

Mr Henri Sahi, Franch leader of the delegation, said they were ordered out by the

they were ordered out by the just after they arrived at the airport and were sent back to Yerevan, the Armenian capital. The enclave is the centre of a territorial feud between Armenia and Azerbaijan and hundreds have died in class

Soares to stand Portugal's President Mario Source ended months of speculation yesterday by announc-ing he would seek a second term in elections next January, AP reports from Lisbon, Mr Soares, 66, three-time prime minister, became his country's first freely elected civilian president in 60 years in 1986. Opinion polls show over 60 per

cent of voters will back him.

Athens car ban

The Greek Government yester-day barred private cars from the centre of Athens for five hours and advised the sick and elderly to stay home as smog enshrouded the city, AP reports from Athens, Buses, taxis and delivery vehicles were exempt from the ban, which was simed at containing record air pollution levels.

French speed limits The French Government,

alarmed by more than 11,000 deaths on the country's roads last year, announced lower speed limits in urban areas. yesterday, Renter reports from Paris. From December 1 the maximum speed limit in towns will be reduced to 50kph (31 mph) from 60kph (87mph).

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## Ireland peers at Europe through a rose-tinted telescope

ing revenue yields.

ing fuel prices, and insurance

premiums was described as the latest — and most serious — in

a series of inflationary pres-

Although the depreciation of

the dollar had to some extent

softened the effect of expensive fuel, the association said, it had

also reduced the value of dollar

earnings during the peak trans-atlantic travel season. The weakened yen had also

The weakened yen had also devalued Japanese-originating

The AEA warned that as fuel

increased as a proportion of the airlines' overall expenses, so the impact of further developments would become more severe.

Largest increases in traffic

were on European and North American routes. Predictably,

Middle Eastern traffic was down, although losses on Gulf routes were counterbalanced by

gains on services to Israel.

•Delays exceeding 15 minutes affected 21.1 per cent of sched-

nled departures on European

services in August, according to the AEA. This compared with

July's 25.9 per cent, and 21.8 per

Most ordinary people are in favour of the EC, but few have much idea what it's all about, writes Kieran Cooke OR A PERIOD earlier this year Ireland seemed to be very much at the centre of European and world affairs. Ireland held the European Community presidency during the first six months of 1990. Momentous changes were taking place in Europe. A Dublin summit on political union was deemed to have laid the basis for a new

order in Europe. But the focus was quickly lost. Ireland has once again been edged out of the main-stream on to the periphery of Europe. Nothing exemplifies this more than its position within the EC in the course of the present Gulf crisis. Ireland's strict policy of neu-trality is unique in the Com-munity. Had events in the Gulf happened during Ireland's presidency, Dublin would have found itself in the near impossible position, as a neutral country, of being EC spokesman on the crisis. There has been little debate

in Ireland on the country's

position in a Europe of chang-ing military alliances. Mr Charles Haughey, the Prime Minister, has limited himself to vague statements about Ireland reviewing its policies within the context of the CSCE process

Neutrality and Irish sovereignty are still highly charged issues. In 1987 a referentum had to be held before Ireland agreed to the terms of the Single European Act. Critics had argued that the act, by bind-ing Community states closer on foreign policy, threatened to compromise Irish neutral-

There can be little doubt,

however, that the Irish remain

firmly in favour of the EC. Successive polls indicate that the public broadly agrees with present Community developments and is optimistic about the post-1992 outlook. The country has benefited considerably from the finan-

cial assistance it has received

from Brussels since it joined

the Community in 1972. Up to



SOVEREIGNTY

1988. Ireland had received 18.7hm (23hm) from various EC funds while contributing irl.6hn to the Brussels coffers. In the 1989-93 period Ireland will receive a further Ir2.86bn from the EC in the form of structural funds. This money is to be used for updating infrastructure in what is described as "the biggest development plan in the history of the Irish state." The Government has boasted that Ireland's share of structural funds exceeds that given to funds exceeds that given to any other region in the less developed category of the EC.

By emphasising the finan-cial benefits of EC membership successive Irish govern-ments have tended to encourage attitudes of eco-nomic dependence on Brus-sels, particularly in the agri-Now, as the EC seeks to cut

cultural sector. Farmers and food processors still sell a dis-proportionate amount of their produce into EC intervention stockpiles. Of 50,000 tons of Community best recently sold into intervention, more than 30,000 tons came from Ireland. back on at least some of the subsidies and subventions of the common agricultural pol-icy, Irish agriculture - still a central part of the country's economy - faces a very tough

Irish financial services sector and allowing an orderly growth in trade.

Ireland's trade, though still dominated by links with the UK (which accounts for more than 30 per cent of Irish exports), has become much more focused on continental Europe Increasing numbers of

Rowever, EC membership has served to lessen Irish dependence on the UK. A propolicy. Its taxes are still well above the EC average and show little sign of being harfound shift away from Britain monised with the rest of the Community. Ireland has refused to abide by a judgment and towards Europe came in 1979 when the punt, the Irish pound, broke its historic link of the European court declaring illegal Dublin's "48 hour" with sterling to join the customs rule designed to stop exchange rate mechanism of

the European monetary system. The punt's value has since been stabilised, contri-buting to the growth of an Irish financial services sector

Some 45m Americans claim Irish ancestry. Many Irish peo-ple do not feel part of a greater European collective identity. heland is the least cosmo-politan of EC countries. The level of language skills is even more abysmal than in the UK. Europe. Increasing numbers of young people are working on the Continent. Large Dutch and German engineering companies have been known to charter aircraft to fly out for The Government has not interview complete classes of Irish university graduates. Yet, on many levels ireland has not aligned itself with EC

encouraged public discussion about Community develop-ments. During the Irish EC presidency there was no debate in parliament about political union or the consequences for the Irish economy of full monetary union. To many, Rurope is some-thing "over there." When the Channel tunnel is built, Ireland will be the only EC country without a direct con-

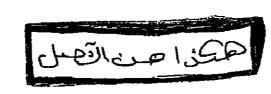
nection to the European conti-

shoppers from the Republic nent. The Government, by nent. The Government, by repeatedly stressing Ireland's peripherality in its applica-tions for EC funding, has only contributed to an Irish feeling going to Northern Ireland to take advantage of lower Perhaps the biggest prob-lems are pyschological. Tradi-tionally, Ireland has far closer ties with the US and the UK of being on the European sidethan with continental Europe.

Professor Gearoid O Tua-Professor Gearoid O Tua-thaigh of University College Galway says that the Irish are in the habit of congratulating themselves on being "good Europeans" without attempt-ing to understand the changes taking place in Europe or rede-fining Ireland's role.

"When we are seen to be grappling seriously with these issues at home, then we can begin to take seriously some of the guff about our being good Europeans," he says. "We are nowhere near that position at the moment."

This is the penultimate article in a series on EC countries and Community institutions. Previous articles appeared on August 6, 9, 14, 20, 22, 29, September 5, 12, 19 and 27.



## Honecker's home town takes sober approach

THE unenthusiastic manner in which the town of Neunkirchen yesterday celebrated Unity Day might have provided some consolation to the town's most famous son, Mr Erich Lack of enflusiasm is not. famous son, Mr Erich Honecker, the deposed East. German leader. Neumkirchen, an industrial

town in Saarland on the southwestern rim of what used to be West Germany, did not hang out the flags. Less than 0.5 per cent of the town's 50,000 people attended a brief Unity Day ceremony in the town centre and

at its close only about a dozen pairs of lips moved during the German national anthem.
One old man, recalling the jubilation 35 years ago when the tiny state of Saarland was handed back from France to West Common the tiny state of Saarland was handed back from France to West Germany, thought it churiish of his fellow citizens not to make more effort to cele-

however, the same as hostility. Mr Gerd Meiser, a local jour-nalist, says that everyone "apart from a few Greens" welagart from a few Greens wel-comes unity. "But being so far from East Germany we are less emotionally involved than some people," he said. Saarland, bor-dering on France and Luxem-bourg, thinks of itself as a bridgehead into Europe and is less susceptible to nationalist less susceptible to nationalist

Neunkirchen's sober approach to unity also has something to do with 10 per cent unemployment and the struggle to replace the siminking coal mining industry on which the town was built.

The reaction is probably not of earnest local dignitaries and unrepresentative of small-town a mixed, but mainly elderly, sprinkling of residents. West Germany, especially on the western flank. (Even at Bonn's well-attended but anti-climactic ceremony on Tuesday night an attempt to sing the national anthem at midnight was whistled down).

By David Goodhart in Neunkirchen

The "crowd" at the Neunkirchen ceremony certainly seemed representative. On one side was a pale, longhaired youth carrying a banner saying "Never again Germany". At the other end was a tougher-looking short-haired youth who was holding a furied Ger-

The ceremony itself, with musical accompaniment from the town band, was dignified. Mr Friedrich Decker, the Social Democrat mayor, said there was cause for celebration but

was cause for celebration but recalled how painful the re-integration of Saarland had been after 1935.

"We were only separated for 10 years and had belonged to a country with a similar economic and political structure. Think how much harder it will be for East Germany," he said. He said unity would cost a lot and Neunkirchen would do its and Neunkirchen would do its bit to carry the burden. After the mayor, three girls from the Maximilien Kolbe high

and fears for the new Germany, most of which centred on the

school talked about their hopes

environment. One of the girls, Farjana Haque, is a 15-year-old Bangladeshi who has been in Germany with her family for 10

years. Her father, a lawyer by training, has still not found work, but Farjana seems well inte-Asked if she feared a higger

Germany might become less friendly to foreigners she said "no", although she had heard they were a bit xenophobic in East Germany. "We'll look after her if anyone tries anything," said her schoolfriend Petra

One person not to be found at the ceremony was Mrs Gertrud Hoppstädter, Erich Honecker's sister, who lives in the old Honecker family home in the Neunkirchen suburb of Wiebel-skirchen. Although clearly at home yesterday, she was not in

Berin E GERMANY Neunkirchen (cæchosuova

the mood to talk to strangers about her feelings. They say locally she has refused a request from her ill brother to

put him up.
The people of Neunkirchen
probably wouldn't mind, "We Erich, in a jokey sort of way, as if he was one of us. Now we don't talk about him so much, but I think some people take pity on him," said Mr Meiser.

## Anxiety stills the rejoicing in cradle of the revolution

IN THE cobbled churchyard of the Nikolatkirche all was still.

No bells sounded. A group of speed of change, "We have bemused Leipzigers stood before the boited door. "Today the church as on previous state holidays will remain closed." read the small white card pinned to the entrance. Craftle of the peaceful East

German revolution, the evan-gelical Protestant church sees no reason to celebrate. "I am horrified when I think of the days in history when the church bells have sounded," says Mr Christian Filhrer, the church's pastor. Wednesday, October 3, was for him, as for many Leipzigers, a time for

Celebrations were best left to the Berliners, was the view of the more sober Saxons, inhabitants of what is now Germany's 10th largest town. Drawn on to the streets by the warm autumn sunshine -hazy only with acrid pollutants from the surrounding industry - families gazed contentedly from food stalls covering the many squares in the town's war-ravaged centre.

Only a modest flag adorns the front of the antiquated trams that rumble through the city - otherwise balloons advertising the new local paper are more in tune with Saxony's

"We had wanted to celebrate last night but somehow couldn't bring ourselves to," said Mr Wolfgang Knape, a writer from Leipzig who stood with his three children and two western visitors in the churchyard. He recalls with some difficulty the "euphoria" a year ago as growing crowds of hopeful Leipzigers streamed from their Monday evening prayer service and on to the six-lane ring road. "We had an incredible strength then as the oppressive fear of the state gradually lifted. But that is

now dissipated."
While petty bureaucrats fight whether to rename Karl Marx Platz after the old Saxon king Augustus, the circumstances prolonging what he describes as "our slow death" are ignored. Facing an uncertain future as his travel books lie forgotten with a struggling

been confronted with so much so quickly when we were already harmed enough. I am not sure everyone is automatically ready to exchange 10 years' wait acquiring a car for two years without a job."

His considerable anxieties about social unrest - "Germany was always prone to extremes" - were echoed in the half-empty streets of Leipzig on the eve of unification. Nervous restaurateurs holted Gewandhaus, Leipzig's famous concert hall but, as it turned out, with little purpose.

#### By Katharine Campbell in Leipzig

Meanwhile, in the absence of organised firework displays, a few individuals lit fire crackers at random. Indeed, a bomb threat to the Panorama restaurant perched on the 29th floor of the modern Karl Marx Uni-versity building that domi-nates the Leipzig skyline, pro-duced one of the few festive crowds of the evening. As the clientele emptied on to the square below, a stall selling sparkling white wine was mysteriously rolled from the shad-

ows to instant custom. Those that stayed off the streets were, however, by no means untouched by the occasion. "It brings me out in goose pimples," admits Mrs Helmtrude Gersone . Both in their early 50s, she and her husband are recasting the family printing business on the strength of western computer technology and hefty western bank credit. She too recalls participating in last year's marches: "For me unification cannot come soon enough." And celebrations? "We are working today — we have customers we cannot discounting the second second comparing the second secon

appoint," she replies.

Not all the Leipzigers can exhibit the same drive - the spark that will be necessary if Leipzig, in Goethe's day a "lit-tle Paris", is to recapture its

MOTORS

## man flag. In between there were dozens Mayor keeps a tight rein on civic emotion

"HAPPY Birthday Deutschland," said the banner held aloft in the centre of Munich by Andy Agler, a 20-year-old

drama student. With his girlfriend, Brigitte Weissenegger, he was doing his best — like hundreds of other young people — to make up for the curious absence of official fireworks and celebrations as the day of German unity, arrived.

By Andrew Fisher in Munich

No bells peeled from the twin onion-domed towers of Munich's cathedral, the Franenkirche, when midnight sounded People drinking in the historic tavern nearby wondered at the lack of civic emotion, which prompted the Social Democrat city council, headed by Mayor Georg Kronawitter, to keep festivities to a

The fear, of course, was that any celebrations would get out of hand and lead to violence. Thus the organisers of the rancous Oktoberfest beer festival, at which a record 6m visitors are expected this year, were not allowed to keep their vast beer tents open beyond midnight on Tuesday. There was plenty of drinking singing and dancing, but it had nothing to do

Once midnight had passed, and Unity Day was in its first minutes, Mr Agler's generation showed what it felt bout unification.

"At last we have one Germany," he shouted. He and others were disap-pointed at the lack of official celebra-tions. So was Mr Ingo Horn, a 24-yearold railway worker from Dresden, in what used to be East Germany. "I'm very moved. The whole thing is overwhelming. We've waited so long for this."

Around the main square, the Mariemplatz, young men waved big flags with the black, red and gold of Germany. "Today, Germany is a symbol for the whole of Europe," said Mr. Georg Wenzel, 25, an army officer in his civilian clothes. "If Germany can make unification work then there is make unification work, then there is hope for the rest of Europe, east and

Mr Horn, who hopes to find work with Germany's western railway sys-tem, said some right-wing youths had tried to ignite nationalist sentiments by singing the first verse of "Deutsch-land Uber Alles," with its references to greater Germany and territories to the east, now lost. But others in the crowd had shouted them down with the third verse which starts with the words "unity and justice and free-Another banner expressed the

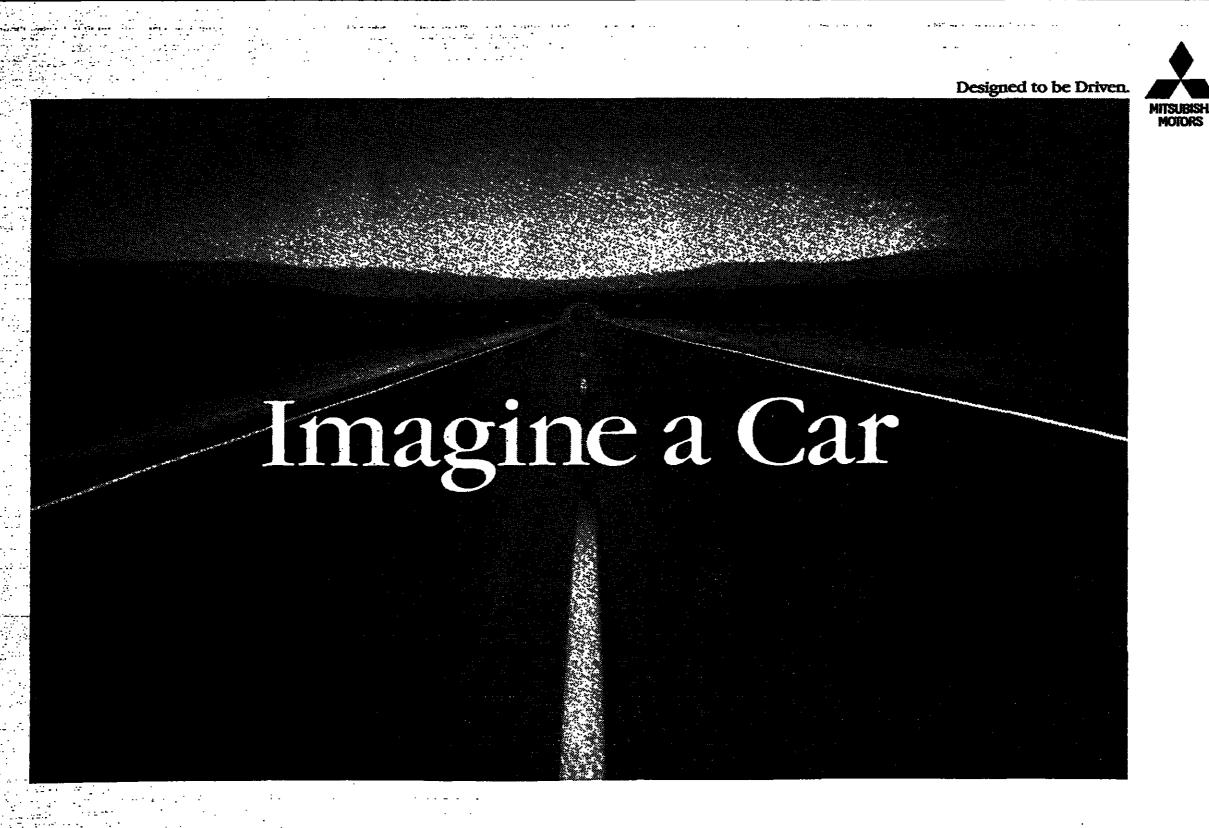
thanks of East Germans for the help

The morning after the party: cleaning up the celebrations yesterday outside the Reichstag in Berlin

of the west in attaining the overthrow of the old Stalinist regime. "Thank you" was written next to a picture of the crumbled Berlin Wall. "November 9, October 3, Freedom," it continued, the first date being that of the dra-matic continue of the horder less than matic opening of the border less than

a year ago. Yesterday morning, under a brilliant sunny blue sky, when the new Germany was just 11 hours old, Mayor Kronawitter appeared. He made a a thoughtful, low-key speech in the Mariemplatz, welcoming unifi-

cation, paying tribute to Mr Mikhail Gorbachev, the Soviet leader, and warning that justified national emo-tions in Germany should not be allowed to turn into domineering arrogance. Then the third verse of the



That knows the difference between fast and too fast. ... That's our vision.

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#### **CRISIS IN THE GULF**

## Baker claims solid Britain's main oil companies cut petrol prices support at UN for use of force

THE US has found more backing than it expected from other countries for the possible use of military force against Iraq, if it should become necessary, Mr James Baker, the US secretary of state, has said. Following a series of inten-sive discussions with foreign

ministers of both allied and other countries in New York for the UN General Assembly, Mr Baker said he had raised the option of UN approved military force as well as other new non-military sanctions.

"I consider there's more of a willingness to consider some sort of an approach like that — if it became necessary, at the appropriate time — than we had anticipated there might be at this stage of the conflict,"

He cautioned that views He cautioned that views could change quickly and stressed that the strong preference of the US "would be to find a way to resolve this matter peacefully, politically and diplomatically".

Mr Baker said that no decisions had been taken "at the top levels of this government"

top levels of this government" to push now for an UN resolution specifically authorising the use of military force

against Iraq. However, informal discussions have begun among the five permanent members of the UN Security

chief of the Soviet General Staff, has said during a visit to the US that economic sanc-tions against Iraq were work-ing and no force should be used in the Gulf unless it was approved by the UN.

approved by the UN.

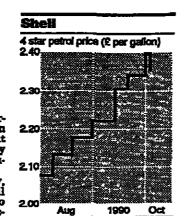
The general argued that the Iraqi leader was "Inding himself in economic and political isolation and he can't survive very long that way".

US officials have underlined President Bush's claim that the references in his General Assembly speech on Monday to the opportunities presented for resolving the Arab/Israeli conflict did not represent a change of policy.

had stressed the prior need for Iraq's unconditional with-

drawal from Kuwait.

They added that the President saw no linkage between that and wider moves to pro-duce stability in the Middle East, including resolution of the Arab/Israeli disputes.



BRITAIN's biggest oil companies last night cut petrol pump prices in a swift reaction to the price declines in the Rotterdam spot market this week,

terdam spot market this week,
Steven Butler writes.
Shell shaved 4.1p off a gallon
of four star unleaded at midnight, leaving prices at 235.5p.
Unleaded prices fell to 221.9p.
Esso, Britain's biggest
retailer, cut prices by 5p to a
maximum of 235.5p, while Jet,
the cut-price brand, reduced
four-star to 234.6p a gallon.
The price reductions The price reductions reflected the worldwide declines in crude oil and

refined products on Monday

and Tuesday, when concilia-tory statements by Iraqi Presi-dent Saddam Hussein and US President George Bush appeared to diminish, at least modestly, the threat of war. Oil nrices have risen strongly over fears that an outbreak of war could disrupt oil exports from Saudi Arabia.

The Rotterdam spot market price for premium petrol declined from \$446 a tonne last Friday to \$414.50 a tonne at the close of trading on Tuesday. Petrol prices were modestly lower yesterday as well, although crude oil prices rose. The rapid lowering of pump

prices illustrated the extreme sensitivity of oil companies to charges that they are profiteer-ing during the Gulf crisis. It is normal practice for oil companies to wait for about a week after changes in wholesale markets before adjusting retail prices. Shell put up its prices as recently as last Monday

morning.

Although the Office of Fair
Trade last week cleared the oil
companies of charges that they were making excessive profits, the companies have yet to win the campaign with the petrol-buying public.

Mr Frank Dobson, Labour's

shadow energy secretary, com-menting on the price cut, said: "Not before time. The world oil price went down once and they did not reduce petrol prices. So we are looking for bigger cuts and what we really want is for the profiteering oil companies to cut the world price of oil. to cut the world price of Gil.

Egypt followed the sharp fall
in oil prices by yesterday
ordering a \$4 reduction in
export prices to keep its crudes
competitive, Reuter reports
from Cairo.

The local benchmark Suez
blend was set at \$35 a barrel.

blend was set at \$35 a barrel. Egypt exports about half its daily output of \$70,000 barrels.

the wholesaler said. "He said I could make a lot of momey, but he was in a hig hurry. I'm waiting to hear from him again. If I don't sell it, someone else will."

A leading Beirut banker said that all letters of credit on behalf of Iraqi businesses ceased immediately after the invasion of Kuwait because European and American banks would no longer guarantee them. "All traffic is strictly cash up front," the banker

cash up front," the banker

Ships are also believed to be

carrying European goods into Lebanese ports for trans-ship-ment by land to iraq.

#### Kaifu visit pleases Mubarak By Tony Walker in Calro

JAPAN's pledge of \$400m (£212m) in aid to Egypt was the first instalment and would be followed by a second pack-age, President Homi Muhank said yesterday after two rounds of talks with the visit-

Japan, which has set saids \$2bn in aid for countries hit hard by the Gulf crists, is profor a coment factory near Coiro. The Japaness are also providing grant and to the tane of \$30m for Cairo university and for a fishing part near the

and for a maning part near the town of Suez.

Kgynt says that losses from the Gulf crisis in workers' remittances foregone and diminished tourist revenues would exceed \$40n in 1990-91.

Mr Kaifu said that Japan would support Egypt's economic reform programme. which is under discussion with the IMF. Egyptian officials say negotiations are in the final stages and they expect an agreement by the end of the

Mr Kaifu later left Caire for Amman for talks with Jordsnian officials and also Mr Taha Yassin Ramadan, Iraq's

## Lebanese traders admit to sanctions busting

LEBANESE officials estimate that the Gulf crisis is costing the country \$150m (£30m) in lost remittances and exports lost remittances and exports
due to the trade embargo with
Iraq. However, there's evidence
that many local traders have
not been put off by the trade
han and are finding their own
routes around the embargo.
The Lebanese government
was among the first to condemn Iraq's invasion of Kuwait
and has endorsed IIN sanc-

and has endorsed UN sanctions. Yet it lacks the ability to control at least a dozen ports along the Lebanesa coastline, most of which are illegally run has to go to Iraq," says one local businessman. "There is nowhere else for us to sell it. The volume is important for Lebanon, but it is peanuts for

Beirut traders have confirmed that the present shortage of potatoes, for instance, has been caused by the combination of legal exports to US forces in Saudia Arabia and individual violations of UN contribute against 1930. sanctions against Iraq.

The US military pays premium prices for potatoes; which are flown in from Beirut to its base in Dhahran. Shipments to Iraq, according to

some traders, run a more circu-

itous route from Syria to Jor-dan, with some produce find-ing its way to northern Syria. Many Sunni Muslims in northern Syria sympathise with Iraq. The Syrian government in August denied reports that there had been pro-Saddam riots in the region's city of Deirel-Zour.

There are also reports that truck loads of scrap rubber and concrete are being transported from the northern Lebanese city of Tripoli to the Lebanese-Syrian frontier near Homs and then on towards the Syrian-

There are three cement fac-tories at Chekka, just south of

Tripoli. The Syrians deny that there has been any breach of sanctions in their country, but Lebanese businessmen claim that Syrian border guards are easily bribed to let shipments

easily bribed to let shipments through.

Beirut merchants say they have been approached to send tea, sugar, powdered milk, rice and tinned goods to Iraq. One wholesaler in Beirut was asked to send produce in a container to the Shia Muslim suburb Ouzal, from where, he understood, it would be taken by road to Iraq via Damascus and road to Iraq via Damascus and

"The man who called me was a Lebanese from London,"

#### World Bank to release \$200m loan for Turkey

THE World Bank is set to release a long delayed \$200m (£108m) loan for Turkey, one of the countries hardest hit by the Gulf crisis.

The credit, co-financed by Japan, had been held up for more than two years hereduce of Turkey's failure to introduce

of Turkey's failure to introduce financial sector reforms, aimed at curbing inflation, now running at around 60 per cent.

However, the decision to release the funds underlines

the Bank's new flexibility, fol-lowing last week's agreement by industrialised nations in Washington to speed up assistance to affected countries. Foreign Ministry officials

yesterday also confirmed receipt of the first \$75m tranche of the \$300m grant pledged by the kmir of Kuwait. There are unconfirmed reports that Turkey has also been offered free oil from Saudi Arabia. Mr Toshiku Kaifu, the

Japanese Prime Minister, is expected in Ankara today, to finalise Japan's assistance pro-

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Estimates of the costs to Turkey's economy range from \$2bn to \$5bn. Turkey's oil bill alone has gone up by \$2bu. The country relied before the crisis on Iraq for 60 per cent of its off imports. Other costs, resulting from the UN embargo, include reduced trade and transport receipts and lost revenues earned from the pipeline from

Turkey's current account has slipped into deficit for the first time in 2 years, but economists rule out any immediate payments crisis, given Central Bank reserves of almost \$100n. In negotiations with their donors, officials appear more intent on using the present troubles to wring trade conces-

sions rather than short-term financial assistance

## Bahrain struggles to recover from the economic shock

AMBURGER sellers cataring to hungry foreign soldiers are among the few businessmen who have reason to smile in Bahrain following the Iraqi invasion of Kuwait.

With the exception of

wasnes of kuwan.

With the exception of Kuwait itself, Bahrain is the Gulf state most severely affected by the economic shocks of the crisis. The islands enjoy neither the size and oil wealth of Saudi Arabia nor Oman's comfortable disnor Oman's comfortable dis-tance from the front line, Bankers are still assessing

the damage caused by a has-morrhage of funds from local commercial banks and from the 55 offshore banking units (OBUs) which were once the pride of Bahrain. Trade has been depressed by

the departure of thousands of foreign workers and depen-dents from Bahrain, while contractors are faced with a virspending by the government.

Projects now on hold or in doubt include desalination and electricity generation schemes and a \$55m (£29.2m) new dry dock for the Arab Shiphuilding and Repair Yard.

The crisis has dealt a blow to

Bahrain's plans to diversify its industrial base — few foreign or private investors are likely to embark on new projects until the crisis is resolved but the government is pressing shead with a \$1.2m expansion of Aluminium Bahrain's smelter operation. Fortunately an agreement for \$650m in fin-

an agreement for \$650m in fin-ancing was signed with com-mercial banks in July.

"Already \$860m of contracts have been awarded and the-rest are coming up in a few months," said Mr Yusuf Shir-awi, minister of development and industry. "Anything con-nected with the aluminium is going."

going."
Bahrain will profit from higher aluminium prices and oil revenues, but the country's already fragile financial services industry, which accounted for 16 per cent of gross national product and provided valuable jobs for Bahraiwis may never fully receiving rainis, may never fully recover. Sheikh Ebrahim bin Khalifa

al-Khalifa, deputy governor of the Bahrain Monetary Agency (BMA), said the OBUs had lost 12 per cent of their deposits and the local commercial banks 15 per cent. Bankers say

Victor Mallet reports on the funds crisis affecting local commercial and offshore banking

privately that the true gross figures are much higher, although they acknowledge that bank shareholders and the government have provided sub-stantial liquidity to support financial institutions. Banks, some of them heavily dependent on interbank busi-

ss with Kuwait, have started selling assets. "There's very lit-tle new business," said one mker in Bahrain. "Banks are just managing their assets."

Elsewhere in the Gulf bankers have sharply criticised the BMA for undermining confidence by not allowing the cli-ents of Bahrain banks to break time deposits. "Bahrain has totally shot itself in the foot,"

said one banker in Dubel.

Sheikh Ebrahim retorts that depositors had contractual obligations to leave their money on deposit for the agreed periods, and benkers in Bahrain said the BMA had lit-tle choice but to stem the tide of capital flight during the crit-ical first two weeks of August.

ome money is continuing to leave the OBUs as deposits mature, and war in the Gulf could prompt a further outflow. Throughout the Gulf, however, the panic is over, following the arrival of US and other forces, and it is accepted that governments and monetary authorities will not allow any financial institutions to college.

o collapse. Sheikh Ebrahim said he saw a lot of comfort" because the BMA's net sales of dollar notes HMA's net sales of dollar notes had come to a standatill and the exchange of Behreini dinar balances into dollars had returned to a more normal level. With the return of dinar liquidity, he said, the BMA was considering the possibility of resuming the treasury bill sales it suspended after the

"Whatever happens," said Mr Tariq Almoayed, Bahrain's information minister, "It could never be worse than the first

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#### **WORLD TRADE NEWS**

## US takes tough line on Japan contract awards

By Robert Thomson in Tokyo

demands that Japan overhand bidding procedures for building projects, and warned action could be taken unless a contract awarded to a Japanese company for an airport people-mover system was reviewed. Alleged hid rigging and tender processing have been among the most sensitive bilateral trade issues in recent years, and the new friction over Migata Engineering win-ning the contract ahead of AEG Westinghouse could bring

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Kaifu later let the an for talks with a officials and day Yassin Ramada le deputy prime mile

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a tough US response.

The conflict comes at an embarassing time for Tokyo, as a local government near Osaka has recently been shaken by an investigation into alleged bribery by companies seeking public works contracts. It is also awkward that the

present dispute should centre on the Y1,000bn (£3,861m) New Kansai International Airport, highlighted by Tokyo as a symbol of construction co-opera-Japan's Fair Trade Commis-

sion has already fined six Japa-nese companies for forming a land-fill cartel for the airport, being built on a man-made island in Osaka Bay.

During the recently-completed Structural Impediments initiative (SII) talks on bilat-

eral trade barriers, the US pushed Tokyo to accept the Kansai region's proposals for government water, energy and three runways for the airport,

negotiate a new bilateral air agreement which may allow

each country's airlines to become the first foreign carri-ers to fly on their domestic

routes, Bernard Simon reports from Toronto. Mr Douglas

Lewis, Canada's transport min-

ister, said the aim of the talks, set to start formally early next year, will be "completely to lib-

eralise" air traffic between the

Mr Lewis said airlines rather flights.

domestic flight routes

CANADA and the US are to than government would decide

THE US has intensified instead of the one that had received central approval. Enduring US interest in the project partly explains frustra-tion at the Commerce Department, which now says bidding procedures for the system were "unfair", and that AEG Westinghouse's experience and expertise were unreasonably overlooked by the Japanese.
KIAC officials said they had already explained the decision and there was no reason to explain further. Thirteen communical made hide and it is

panies made bids, and it is understood Niigata Engineering submitted one of the low-est, around Y50n, while the US company and its three Japa-nese partners bid just under

Niigata Engineering said the companies bidding for the contract had a clear explanation of requirements from KIAC and the company had won "fairly". The US has warned that bilateral talks on foreign access to Japanese building projects will be delayed until the Kansai complaint is settled. • Nancy Dunne adds from Washington: The US Senate

has passed legislation to pro-hibit foreign companies from getting military building con-tracts — a market worth about 58hn next year — if found to be discriminating against US com-panies in public works con-struction. Similar legislation has won Senate approval for

which cities would be linked.

"Such a regime could allow

carriers from each country to

operate services between any

point in one country and any point in the other, as well as between points within the

other country." Negotiations could be finalised by late next year, with changes being phased in over a longer time.

The agreement will cover scheduled, charter and cargo

for 15 more.

David Boggis adds: Learjet, Canada-US pact may open

> The larger is the Learjet 60, in the size and performance gap between the higgest previous Learjet, the 55, and the intercontinental range Challenger business jet produced by Canadair.

British Asrospace's BAe 1000, at present under development, which is being promoted as capable of flying corporate passengers non-stop-between New York and London or the US West Coast.

#### Japanese to share in GE jet engine programme

By Paul Betts, Aerospace Correspondent

JAPAN'S pre-eminent maker of aircraft engines, Ishikawajima-Harima Heavy Industries (IHI), says it is investing in an 8 per cent share worth about \$110m (£58.5m) in the US General

(£58.5m) in the US General Electric group's GE90 large civil jet-engine programme.

Hi will design and develop the engine's low-pressure turbine and main engine shaft. GE had indicated at the recent Farnborough Air Show that IHI was planning to take a stake of between 8-10 per cent in its \$1bn-\$1.5bn high-thrust commercial engine project.

The US group has been seeking risk-sharing partners for its new engine programme to pronew engine programme to produce power-plants for the new generation of large twin-engine wide-body airliners such as the

Boeing 767X. Snecma of France has agreed to take a 25 per cent stake in the GE90 programme in which Fiat of Italy is also taking a 10 per cent interest. IHI is also a risk-sharing partner in the Rolls-Royce high-thrust "Trent" engine programme directly competing against the GE90 and a high-thrust version of the US Pratt & Whitney

Airbus A330 and the planned

PW4000 engine family.

Singapore Airlines (SIA) has confirmed it is going ahead with a \$5.500 order for Boeing 747-400 aircraft. SIA said it had signed a contract with Boeing covering a firm order last Janusry for 15 aircraft and options

the husiness aircraft company taken over in June by Bombar-dier, the Montreal-based diversified transport engineering group, yesterday announced two new models.

It provides competition for

## Commission set to back MacSharry farm plan

THE European Commission carry most of his 16 colleagues was last night set to approve a plan by its farm commissioner, to be scrutinised by EC farm Mr Ray MacSharry, for Europe to offer a 30 per cent cut in farm support, to clinch an overall Gatt trade agreement, David Buchan and Kieran Cooke report from Brussels. Two weeks ago, Mr Mac-Sharry failed to get his plan past an ill-attended meeting of his colleagues, leading to speculation of a Commission split

on the trickiest issue still out-standing in the Uruguay Round talks.
But last night, Mr Mac-Sharry was thought likely to

and trade ministers next week. Mr MacSharry, a former Irish finance minister, also came under European Parliament pressure over allegations he had used political pressure to stop Amro, the Dutch bank, foreclosing its loans to Good-man International, the Irish meat business. The 180-strong Socialist group called on Mr MacSharry to resign if claims proved true he had asked a former Dutch farm minister to intervene with Amro.

MacSharry's plan has largely come from Mr Frans Andries-sen, now responsible for external trade and Gatt and in charge of agriculture in 1985-88, and has focused mainly

on two issues.

The first is "re-balancing". by which Brussels proposes the EC should partly compensate for cutting farm support - over-all by 30 per cent in 1986-96 - by slapping import tariffs and quotas on inputs and feedstuffs where such curbs do not now exist. This would introduce tariffs of 6-12 per cent. Such proposals would be regressive and restrictive.

the Grain and Feed Trade Association representing feed shippers, brokers and users in some 40 countries, said yesterday. It charged that "re-balancing" would create "a totally managed, rather than a free, market and constantly rising costs for taxpayer and con-

sumer".
The other controversial element, especially with the US, is export refunds. Mr MacSharry is offering some general limits, such as promises not to grant export subsidies to countries that have not benefited from them in the past. • Unice, the European issue of farm subsidies.

stepping up its drive for a pro-industry outcome to the trade talks under Gatt, but still shrinks from calling for big

sacrifices from Europe's powerful farm lobby.

Mr Carlos Ferrer, Unice president, will head a 100-strong delegation of industrial associated ations on October 18 to impress on Mr Andriessen the need to push for the simplest, most transparent rules with widest acceptance. But the consensus nature of Unice, representing west European employer feder-ations, dictates caution on the

## Transport services split could imperil Gats pact

DIFFERENCES over transport industries, for different reaservices have become a serious sons, want their sector threat to completion of an agreement liberalising the \$500bn (£319.1bn) world trade in services in the Uruguay

In particular, a row over shipping and inland waterways, involving the European Community and the US, could develop into a "deal breaker", one senior negotiator said yes-

He was summing up the situ-ation after meetings last week of two working groups which have been examining how maritime and land transport services can be integrated into a General Agreement on Trade in Services (Gats). At the core of the dispute is the question of "coverage",

whether the general trade-lib-eralising principles embodied in Gata should apply to all service sectors. interests, m. Both the US and EC shipping exemptions.

exempted. They are not alone. For instance, airlines and civil aviation authorities, whose interests are now protected by a multiplicity of bilateral agreements on landing rights, are also resisting the inclusion of their sector.

The solution adopted by

negotiators in Geneva is that "awkward" sectors should be dealt with in annexes to Gats, accommodating the scope and pace of the application of Gats' general principles to their special circumstances.

Working groups have been assessing the need for, and the contents of, annexes for no less than nine service sectors. The problem is that no country is ready to commit itself to liberalising any of its services as long as it fears that sectors, in which it has particular export interests, may be subjected to

A row over shipping involving the US and EC could develop into a

In addition, disputes have erunted in several of the working groups as negotiators have ing groups as negotiators have sought to protect the interests of their domestic industries. Last week, the EC exploded a minor bombshell in the group discussing land trans-port by demanding that the most-favoured-nation (MFN) or

non-discrimination principle embodied in the Gats should not apply to traffic on inland rways and to cross-border road transport.
The US, whose domestic leg-

islation links inland waterways with cabotage or coastal ship-

ping, insists that waterways be handled in the shipping sector and not as part of land trans-

In the group discussing mari-EC could develop into a deal breaker, one senior negotiator said time transport, the EC has asked for a derogation – exemption clause to permit time for the changing of national legislation – from the MFN principle for the bilateral cargo-sharing agreements it has concluded under the United Nations liner code. It wants this derogation to be extended to any future agreements it may make under the

> Washington does not subscribe to the liner code. Accepting the Community's demand US negotiators say, would amount to providing protection for EC cargo-sharing arrangements while US bilateral agreements would be invalidated. A crucial objective for the US shipping industry is to maintain under the Gats the

provision in the Merchant Marine Act that allows the US administration to retaliate unilaterally against countries regarded as harming US ship-ping interests.

Other countries see such an Other countries see such an exception as completely incomsistent with the spirit of a trade-liberalising agreement. They complain that transparency, the obligation to publish all relevant laws and regulations, is the only Gats principle the US has so far agreed to apply to shipping.

Trade officials say only painful political decisions at the top level in Washington and Brussels can resolve the disputes over the sectoral annexes. Before the annexes are in shape, no commitments to liberalise can be expected and the completion of a Gats remains in leopardy.

## E German trade waiver sought

THE European Commission yesterday sought a two-year waiver from Gatt rules for ransitional measures the EC plans to apply to trade between the former East Germany, the Soviet Union and East European countries, William Dullforce reports from Geneva.

The measures are designed to avoid trade dislocation under bilateral agreements the former East Germany had con-chided with its partners in the Comecon trade bloc. Immediate application of EC rules would allow trade flows to continue.

lead to further factory clo-sures, loss of production and unemployment in eastern European countries, the Commission told the Gatt council. Instead, the EC proposes duty-free tariff quotas for imports to the maximum allowed in Kast German bilateral agreements. The imports would be for final consumption only in the previous East Ger-

The new measures, incompatible with Gatt's non-dispatible with Gatt's non-dis-crimination principle, would be applied from December until end-1991, with possible one-year ranewal. Trade volume involved would not be signifi-cant and was unlikely to be competitive with alternative trade possibilities, the Commission said.

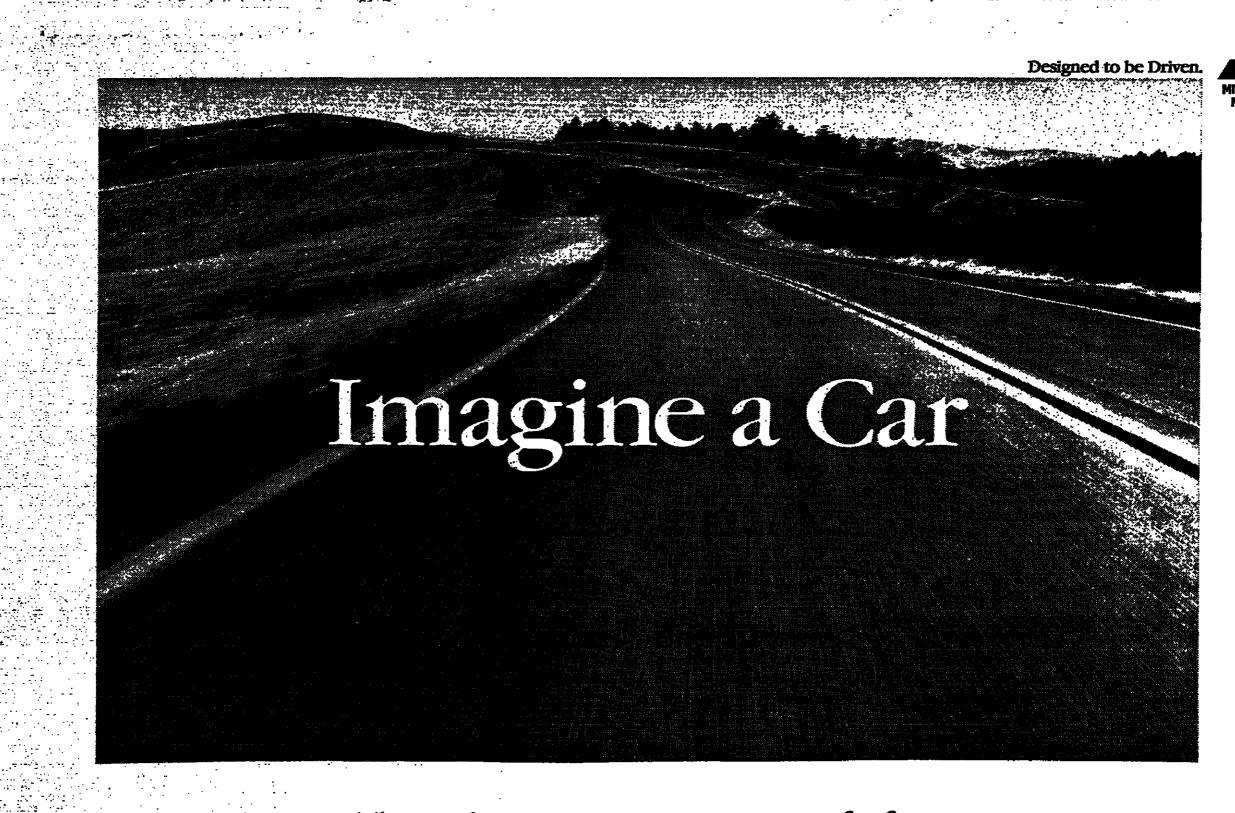
In 1988, East Germany's foreign trade amounted to \$59bn (£31.3m) of which two-thirds other Comecon partners.

### Canada pork subsidy row

THE US is applying subsidy to a farm raw material countervalling duties to Canacould be deemed a subsidy to a dian pork imports in a way inconsistent with Gatt rules, a disputes panel told the Gatt council yesterday, William Dullforce reports from Geneva. The panel recommended the US reimburse the duties or make a new evaluation, in line with Gatt rules, of the subsidy it claims Canada applies. The US imposed a duty on

\$700m (£872.3m) of Canadian pork imports in 1989, a decision based on an amendment to the US Tariff Act under which a could be deemed a subsidy to a processed product. Canada complained the countervailing duty was excessive and asked Gatt to tell the US to revoke its amendment. The panel said the request to withdraw the amendment did not fall within its mandate. It was not saying no duty should have been levied, but the US should have shown how far the

subsidy resulted in lower pig prices for the pork producers than those commercially avail-



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## Feuding over tactics tears apart Burmese opposition

BURMA'S main opposition party, landslide election victor but barred from forming a government, is being torn apart by army harassment and internal feuding over how to win power, Reuter reports from

The National League for Democracy (NLD), whose leaders were arrested last month, will meet soon to try to win back support among rank-and-file members.

The NLD, a motley group of retired generals and dissident intellectuals, had since its dramatic election win in May avoided direct confrontation with the military government but kept up demands for an

arly transfer of power. But last month's arrest of

intellectual wing has unbalanced the party, costing it momentum and alienating it from a populace eager for change.
"There is considerable

unhappiness within the NLD about its apparent kowtowing about its apparent knowling to the military," a diplomat in Rangoon said. "Kyi Maung was the giue which held the party together through an amazing election victory. He is gone now, and the NLD in the countries ide is not save it truets the tryside is not sure it trusts the present leadership." Since the election the army

has reneged on its promise to hand over power to the win-ners, demanding that the NLD and other parties first draw up After Kyi Maung's arrest the

NLD said it sought a dialogue with the army and hinted at agreeing to its demand for a agreeing to its demand for a slow, closely supervised trans-fer of power. Diplomats said NLD representatives touring provincial offices to explain the party's efforts for compro-mise had been frostily received by local members.

About 75 per cent of NLD elected candidates were loyal to academic Aung San Suu Kyl, who despite being under house arrest since July, 1989, has been credited with inspir-ing the party's electoral vic-tory, they said.

"She is inside and so now is Kyi Manng. Their massive rank-and-file support is no lon-ger reflected in the NLD lead-

## Boost for Nigeria's debt conversion strategy

By William Keeling in Lagos

NIGERIA'S debt-conversion strategy, central to govern-ment attempts to attract for-eign investment, has received a modest but important boost with the announcement that Sterling Drugs of the US, a subsidiary of Eastman Kodak, will invest \$3.85m in its Niger-ian subsidiary, Sterling Prod-

ucts (Nigeria). Although the amount is small, the timing is significant as it gives support to the view that the recent tide of disin-vestment in Nigeria has turned. International compa nies which have recently disinvested include Wiggins Teape,

ICI, and Tate and Lyle. But there is an inflow of new investment, led by Coca-Cola, estlé and Glaxo.

Sterling Drugs is channeling its own new investment through a forthcoming rights issue and a new public issue which will raise \$6.4m. Sterling Drugs will subscribe for 60 per cent of both issues, the maximum permitted under Nigerian

At least \$3.2m will be spent on modernising its plant and reformulating its products to meet new standards established by the government for the pharmaceutical industry.

The remainder will go towards building up the company's working capital. The method of finance may

also be a pointer to future investments in Nigeria. Ster-ling Drugs raised its investment finance through debt conversion but with a twist to make the transaction more

The company first took advantage of a price differen-tial in the secondary market between Nigerian government promissory notes and restructured Nigerian bank debt. Promissory notes held by Sterling Drugs were sold at approximately 33 cents to one dollar and an equivalent amount of bank debt was purchased at about 28 cents to the dollar.

A spokesman for First City merchant bank, which acted as agent for the conversion, explained: "Both promissory notes and bank debt obtain the same terms and conditions for debt conversion. But by exchanging notes for bank debt, a saving in the region of 5 per cent can be made on each ninal dollar of investment."

At the final debt conversion, Sterling Drugs exchanged its bank debt at a rate of about Naira 14.7 to one dollar, as compared to the official exchange rate of eight nairs to one dollar.

Of the large international companies now investing in Nigeria, however, only Sterling Drugs and Glaxo Holding which invested \$1.5m in Glazo (Nigeria) Ltd in January – have used debt-conversion. Coca-Cola is investing \$13m

in a wholly-owned subsidiary and last month Nestlé, by means of a rights issue, injected \$2m into Food Special-ities (Nigeria) Ltd, in which it holds a 40 per cent stake. Nestle's investment will go towards the financing of a \$4.2m malt extraction plant which was commissioned in

Analysts say the reluctance of some investors to use debtconversion is due to the difficulty in reconverting Naira back into foreign exchange. Other constraints to foreign

investment remain the enforcement of tight expatriate quotas and problems securing visas for foreign employees. And though the tide may be turning, the level of investment is still a fraction of what Nigeria



## **Bhutto vows to oust** Pakistan president

MS Benazir Hhutto, Pakistan's former prime minister, vowed yesterday to get rid of the president of Pakistan if she wins a special parliamentary election he called after ousting her, AP reports from Karachi.

Ms Bhutto's 20-month-old overnment was dismissed by resident Ghulam Ishaq Khan on charges of corruption and abuse of power. He has called elections on October 24.

She faces trial before a special one-judge tribunal here and in her hometown of Karachi on four charges of misconduct and abuse of power.

She had been scheduled to appear before the Lahore tribunal on Tuesday, but the prohundreds of emotionally charged supporters stormed and ransacked the courtroom. After two hours of pandemo-nium that left dozens injured, the hearing was postponed

mili next Tuesday.

Ms Bhutto yesterday claimed that 250 to 280 plain-clothes police infiltrated the crowd of about 5,000 supporters and stirred up the trouble.

"I felt I was enflorting I "I felt I was suffocating. I felt as if I was blacking out. I raised my head for a gasp of air and smelled gas," she said.

A spokesman for the army-backed caretaker government accused Ms Bhutto of trying to create chaos and instability in create chaos and instability in order to force a cancellation of

## South African exporters come out in the open

Black Africa is now less secretive about its trade with the white-ruled state, writes Philip Gawith

R Pik Botha, South
Africa's Foreign Minister, used to tell the
story of how South Africa
traded with every Africa country but one, thus provid-ing a flimsy alibi to those countries who wished to deny they had trade links with

Now even that fig-leaf is being abandoned. Mr Glen Babb, formerly deputy director-general of the department of foreign affairs, has stated that not one of the 50 members of the Operalisation of A tries. of the Organisation of African Unity does not trade with South Africa.

There is no question that the increasing glasnost which infuses South Africa's trade relations can be traced to President F W de Klerk's reform initiatives. Mrs Katerina Yiannakls, marketing director of Premier International, international arm of one of South Africa's largest food companies observes: "The political beliefs of our present government have done a lot towards achieving this new attitude."

An export agent confirms the change saying: "They don't receive you in their house after dark anymore!" Sensitivities concerning trade with South Africa do, however, remain. Thus local companies involved in trade with Africa normally keep a very low profile and annual reports are normally devoid of anything but the most bland detail concerning

export activities.
Stillness should not be mistaken for absence. Available figures suggest that South Africa's annual exports to Africa are about R5bn (£1bn) with two-way trade in the region of R7bn. Mr Kent Durr, minister of trade and industry, has said that trade with the rest of the continent now accounts for 32 per cent of exports of manufactured goods. Mr Martin Smith of the South African Foreign Trade Organisation (Safto) says that South Africa's trade with other southern African countries and the Ivory Coast, an established trade partner, increased by upwards of 40 per cent over the past year. Other major trade

which south Alica can now trade directly as opposed to having to go through third par-ties. Another example is Mada-gascar with which South Africa recently signed a trade agreement. Previously South African goods went to Mada-gascar through Mauritius and Reunion. Direct trade obvi-ously means that South Afri-can goods are considerably cheaper, and more competitive, than when a middle-man is

The logic for South Africa trading with the rest of Africa



Kent Durr: a third of exports Riack Africa

is compelling. Proximity is obviously important as is the fact that South Africa's economy being considerably more advanced than its African trading partners means there are my opportunities for technology transfer and sharing of

management expertise.
Similarities of climate and consumer markets also confers advantages to South Africa over overseas competitors. Most South African manufacturers have already had to turn their attention to the specific needs of the black consumer, who now exert more buying power than white customers, and this automatically places them on a better footing for

exports to Africa. Fortuitously, political reform in South Africa is being democratisation across Africa which offers improved pros-pects for trade. Mr Smith main-tains that democratisation is often accompanied by trade lib-eralisation as countries seek to arrangements more palatable to potential donors and investors. He cites the example of Madagascar which until recently had a closed socialist economy trading only with France and eastern Europe.

South Africa also stands to benefit from the possible vac-mm which may ensue as the west disengages itself increas-ingly from Africa. This is partly a function of distillusionment with Africa's poor trac record and partly the result of more compelling or convenient stives for investm eastern Europe and the Pacific

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Although there is no doubt that many doors are opening in Africa, there are factors beyond politics which give rea-son for caution. Principal among these is the continent's appalling poverty which means that considerable innovation is required if trade is to be facilitared. Hence Mrs Yiannach stresses Premier's philosophy of "helping people to help

This is a commercial adage even if it sounds like it belong in an aid manual. She explains "You can't go into a market with a price list and ask what people want on account of the limited forex. You need to look instead at projects which gen-erate forex to fund the imports or programmes which promote import substitution." She cites as an example a poultry farm-ing project which Premier are developing in Mozambique.

Mr Smith says that although there are now many more opportunities for South African exporters than a year ago, it will take time to capitalise upon these. Relationships have to be developed and factories need to develop capacity to serve markets which were long trouble to nurture relationships in the past can anticipate a pay-off while others must



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#### INTERNATIONAL NEWS

## bonanza to repay debts

ALGERIA will use an oil price windfall from the Gulf crisis to clear \$600m in international debt arrears owed by public and private Algerian compa-nies this year, Mr Ghazi

Hedouci, the economy minis-ter, said yesterday, Reuter reports from Algiers, He said the repayment was a priority to restablish Algeria's credit rating on international

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courties.

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Algeria, almost entirely dependent on oil and gas revenue for hard currency, will reap a \$700m bonns this year assuming average oil prices of \$36 a barrel, Mr Redouct said.

Rwanda invaded Rebels who have invaded the Central African state of Ewanda from neighbouring Uganda have advanced to within 70km of the capital Kigali, the Belgian Foreign Ministry said yesterday, Renter reports from Brussels.

A spokeswoman said the rebels were fighting government troops near the towns of Gatalbo and Gabiro, to the north of Kigali. She declined

north of Kigali. She declined norm or night. See escined comment on reports that Rwanda had requested military assistance from Belgium, its former colonial ruler.

**Embassy bomb** 

A bomb exploded at the home of the US ambassador to South Africa early yesterday, but caused little damage and no cassatias, Reuter reports from

casualties, Reuter reports from Pretoria.

Ambassador William Swing was at home and asleep when the small, home-made device went off at lam at the rear of the US residential compound. There was no immediate claim of responsibility. Home-made hombs using commercial made bombs using commercial explosives are often the work of white supremarials opposed to President F.W. de Klerk.

Cigarette ban

Visinam has bunned the import and consumption of fineign cigareties, which the state radio called the new "imperialism" of the United States and other capitalist countries, AP reports from Bangkok.

## Algeria to Israel plays down pledges on Soviet Jews

By Hugh Carnegy in Jerusalem



MR David Levy, the Israeli demanded by Washington in Nations meetings in New York, Foreign Minister, yesterday played down the extent of companyed down the exten mitments made to the US on Jewish settlements in the occupied territories in exchange for loan guarantees. His remarks suggest Israel has not altered its policy on the controversial

Mr James Baker, the US Sec-retary of State, said on Tues-day Israel had given unprece-dented and far-reaching assurances it would not settle Soviet Jewish immigrants in the West Bank and Gaza Strip, and would provide details of the financing of all settlement activity in the territories.

from US sources for the urgent task of housing a flood of Soviet immigrants. The issue had become a real bone of contention between Israel and the US, with the Bush Administration insisting it would not put up the guarantees unless it was certain the loans would not allow extra funds to be spent on Jewish settlements in

the territories. Mr Levy, aware of hostility within the ruling right wing Likud Party to any concessions

Israel had all along said it would not direct Soviet immigrants to the occupied territories, but implied that neither would they be stopped from settling there if they wanted to. He portrayed as routine the undertaking to provide spend-ing details the US complained were usually disguised under various different budgets.

What was left unstated by either man - and may yet cause friction between the two sides-was the position of east Jerusa-lem. The US insists that it includes areas it considers offto be just the citivity in the territories.

These commitments were arrived home from the United limits for Soviet immigrants the process.

parts of Jerusalem captured in 1967 but then annexed and settled extensively by Israel. Israel equally strongly insists such areas are not part of the occupied territories and makes no secret of the settlement of hundreds of Soviets in east Jerusalem Jewish neighbourhoods.

Although no cash transfer is involved in the US guarantees, they enable Israel to borrow from US markets at favourable rates at a time of great finan-cial strain caused by the influx week's arrangement is meant to be just the start of a series of vital loan guarantees to help

## Small steps toward Palestinian self-sufficiency

EC aid is helping to set up small West Bank business projects, reports Hugh Carnegy

IN the al-Fawwar Palestinian 12m by 1992. A significant refugee camp just south of Hebron, in the Israeli-occupied West Bank, three cows stand tethered behind a makeshift breeze-block barn, their tails swishing against the flies and the heat.

Oblivious to the sound of Israeli army vehicles racing down the adjacent street to chorus of shouts and insults from the camp's children, the

three cows comprise Adnan Ghatash's dairy project. Set up early this year with a loan of \$8,000 (54,255) from the Jerusalem-based Economic Development Group, a Pales-tinian credit agency, it is one of the humbler examples of a growing number of small business projects being set up in the West Bank and Gaza Strip in an attempt to promote Pal-estinian economic self-sufficiency - one of the goals of the 33-month old intifada, or uprising, against israell rule.
It is an effort which those involved believe has become

even more important as a result of the Gulf crisis, which has slashed the large amounts of money previously flowing into the West Bank and Gaza in the form of remittances from Palestinian workers in Kuwait and official Kuwaiti

An important backer of the initiative is the European Community, which has pledged to double its direct aid to the occupied territories to Ecus

share of this, and considerable bilateral aid from EC members, now goes for economic devel-opment, usually through a handful of Palestinian agencies like the EDG.
Palestinian reliance on the

Israeli economy remains heavy. Companies employing more than a handful of workers are few. So, given the absence of effective local banking services, the EC contribu-tion has a considerable impact. There is no shortage of demand for credit for every-thing from basic agricultural projects to larger enterprises in areas like textiles and engineering. The problem is to identify viability in circum-stances where already precari-

complicated by occupation and Take Adman's project. First of all, he is a graduate of English from a West Bank university, not a farmer. He turned to agriculture after being sacked from his teacher's

ous economic conditions are

job by the Israelis. He has no access to grazing land.

He originally bought four cows, hoping to profit from being the only producer of milk in al-Fawwar. Because of his mability to pasteurise his output, however, he had to sell his milk to a dainy in Helpon. his milk to a dairy in Hebron, which will only take 50 litres a day from him, which three cows will amply supply.

Now the shekels 50 (£13.20) a

day Adnan earns on average from the dairy is offset by the near shekels 40 a day he spends on feed. The project is reduced to bare subsistence and Adnan, who could earn far more labouring in Israel, needs to reschedule his loan.

The dishonour of default helps sustain a repayment rate on loans of about 70%.

The prospects for loan-backed development are not as gloomy as Adnan's example suggests, however, EDG staff say the repayment rate on their loans is about 70 per cent - more if creditors hit by local hazards such as detention by the Israelis are excluded. The dishonour in the close-knit community attached to default, especially for the family part-nerships which typify Palestinian business, helps sustain reg-ular repayment practice.

One success story near Hebron is Khalil Taweel's small workshop producing plastic shopping bags. A loan of \$15,000 - on top of \$60,000 put in by him and his brothers - enabled Mr Taweel to buy a new cutter to compliment his management skills," he says. Too many projects supposedly supplying Palestinian products to the local market are in reality repackaging operations which rely on Israeli inputs, he says. There is a need for rigorous feasibility studies to pick out genuine

existing plastic extruder. The local product opportunities. business quickly started turn-ing out balf a tonne of bags

It illustrates a paradox of the intifada. On the one hand, the regular strikes and early closing that are an integral part of the protest rebound on local business. But a boycott of Israeli products has fuelled demand for Palestinian-made goods - including Mr Taweel's bags. Food, furniture, metal working, paints, clothing, footwear and electrical goods all

offer prospects.

EC officials are studying ways of advancing much greater sums than previously extended to individual enterprises - perhaps as much as Ecus 200,000 where before Ecus 50,000 was a big loan - without incurring undue risk.

But availability of capital is not the only issue. At a business development contracts est up

ness development centre set up this year by the UN Development Programme, Mr Moham-mad Sarsour, its manager, says a priority is to teach manage-ment skills. "Ninety nine per cent of Palestinians running factories have absolutely no concept of administration and management skills," he says.

Too many projects supposedly supplying Palestinian products to the local market

A possible example he cites is a garbage recycling plant in rubbish-strewn Gaza to pro-duce egg cartons. More conventional would be a synthetic leather plant to supply the active local shoe-making indus-

"Money is not the answer says Mr Sarsour. There is a need to focus on more impor-tant things. We have asked the EC to coordinate their efforts with us - they must make sure their money is used properly." Aside from these issues, Pal-estinian businessmen face the added problem of operating under occupation. They com-plain bitterly about Israeli actions against them, espe-cially punitive tax and licenoing demands and obstacles to

selling in Israel. But there is a strong feeling that progress can be made nevertheless. Mr Hisham Awartani, a leading West Bank economist and chairman of the EDG, says that wealthy expa-triate Palestinians should con-tribute by investing in local business, especially now that the Iraqi invasion of Kuwait has cut or threatened previ-

"This is not an EC obliga-tion, it is a Palestinian obligation, it is a ransonnant congu-tion," he says. "Our experience shows something can be done despite the occupation. Await-ing independence is a crime."



China's prime minister Li Peng yesterday visited victims of China's worst air crash in a decade amid confusion, secrecy and distress surrounding the authorities handling of its disaster,

Reuter reports from Canton.

Anxious relatives wept as officials refused to disclose the whereabouts or fate of passengers unaccounted for after a hijacked airliner crashed in flames into two parked aircraft at Canton's Baiyun airport on Tuesday.Officials said 127 people died when the hijacked Boeing 737 exploded on landing and ploughed into a fully-laden 757 waiting to take off for Shanghai and an empty 707.

The Special Handling Committee set up in Canton to cope with the aftermath of the crash rejected pleas from relatives for information on whether missing passengers were in the morta-ary or in hospital. More than 12 hours later officials finally handed out lists of the dead and injured.

#### Iran hardliners fail to loosen moderates' grip on power

IRANIAN hardliners suffered a the election of Ali Akbar Hash twin blow yesterday in their efforts to stave off a rout by moderates in elections for a key clerical assembly which chooses Iran's supreme leader,

Reuter reports. Ayatollah Ali Khamenei, the current supreme leader, sharply rebuked the hardliners for criticising preparations for next Monday's election of the Experts' Assembly. In parliament, a last-ditch

effort to change election rules petered out, setting up moder-ates for an almost unopposed sweep of the 83-seat, eight-year assembly, which also has the power to dismiss the supreme leader.

Although the assembly is

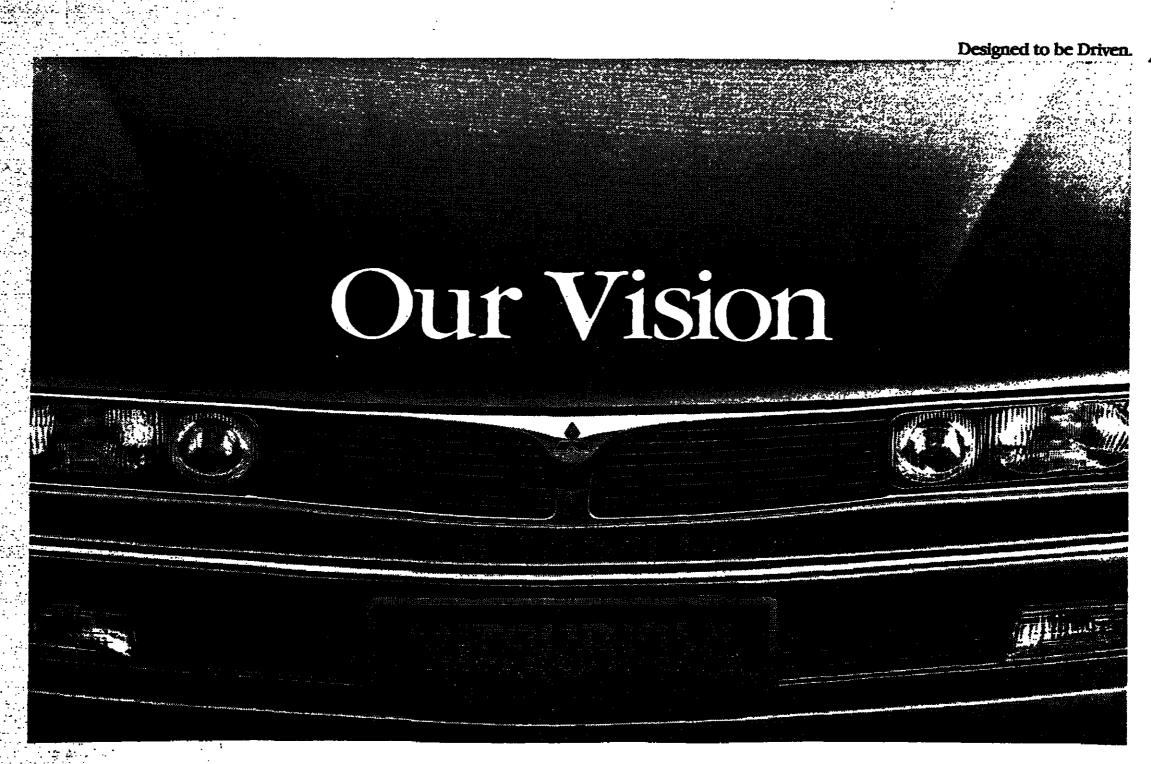
not involved in the day-to-day running of the country, defeat in the elections could severely weaken the hardliners who have lost ground since the death 16 months ago of Ayatollah Ruhollah Khomeini and

emi Rafsanjani as president. The hardliners, who oppose free-market economic policies and extensive relations with the West, have focused their attacks on the Guardian Council, a senior constitutional body which oversees the elec-tion. They say the council climinated a number of their candidates from the race through political bias.

The influential Tehran

Times yesterday called for the release of more Moslem prisoners held in Lebanon to pave the way for freedom for west-ern hostages this year.

apparently behind the release by the South Lebanon Army of the 40 mostly Shi'ites on Mon-day. Release of Palestinian and Lebanese prisoners held by the SLA is one of the conditions set by pro-Iranian kidnappers in Lebanon for freeing their 12



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and responsive, it's almost an extension of yourself. It sets new standards in comfort, confidence and sheer enjoyment of driving. And in October, we'll be sharing our vision with the world - at the Paris Auto Salon.

Our vision has become reality: the SIGMA. The SIGMA will cause you to

## **US** orders surprises analysts

By Anthony Harris In Washington

THE VALUE of new orders for US manufacturers rose 1.8 per cent in August, surprising mar-ket economists who had pre-dicted a fall. However, the increase was largely due to higher prices for oil refinery products – if oil is excluded, the rise in orders was 0.6 per

The figures are heavily influenced by fluctuations in car enced by fluctuations in car and aircraft orders, and by a revival in defence orders, including tanks and ships, resulting from the Gulf crisis. If transportation equipment orders are excluded, orders rose 1.8 per cent after climbing

1 per cent in July.
The previously reported fall in durable goods orders has been revised down from 0.8 per cent to 0.5 per cent. But orders for civilian capital goods remain weak, with a 10.2 per cent fall reversing a rise of 10.1 per cent in July, largely reflecting reduced orders from

the airline industry.
While order books fell mar- these are not affected by the oil price increase — inventories remain well under control, another rel-atively bullish sign for future activity.

inventories of durable manufacturers were unchanged from July. By stage of fabrication, materials and supplies were down 0.6 per cent, finished goods up 0.7 per cent and work

in process unchanged. Inventories of non-durable goods were up 0.5 per cent, largely due to higher-priced oil.

#### Caution over joint Angolan peace force

A US State Department official said yesterday it was unlikely American forces would be sent to Angola on a joint peacekeeping mission with Soviet troops, AP-DJ reports from Washington.

The official's remarks came a day after the leader of Angola's rebel forces said the two superpowers might send peacekeeping forces to Angola once a ceasefire was reached in the 15-year-old civil

The US has armed the rebels, while the Soviets have provided massive military aid Luanda.

Mr Jonas Savimbi, head of the US-backed National Union for the Total Independence of Angola (Unita) rebel group, said yesterday after a meeting with President George Bush that the US leader saw the ldea as a "good thing".

There was no immediate Savimbi's statement. Last week Soviet and US representatives were on hand in Lisbon for the fourth round of peace talks between envoys of the leftist Angolan govern-

## Rise in new | Critics condemn tax break proposal in US budget

By Peter Riddell, US Editor, in Washington

NEW TAX reliefs in the US budget agreement would reverse the intention of the 1986 tax reform act to make the US system more neutral and equal between taxpayers. This is the result of active lob-bying and careful attention to friendly interests on the part of budget negotiators.

The reliefs are expected to cost a total of \$25bn (£13.2bm) in lost revenue between 1991 and 1995, compared with reve-

nue-raising proposals amounting to nearly \$163bn. Taking account of small social security changes, this leaves the net increase in taxes at

for enterprise zones, increasing the earned income tax credit, various energy incentives and extending various expiring provisions, the new tax breaks will cost \$12.1bm

Roughly \$7.8bm is to come from the proposal for individuals to deduct 25 per cent of the purchase price of specified small business stock, up to an annual limit per individual of

The administration believes the new tax reliefs will assist smaller businesses and so encourage growth.

Officials say the changes
will be structured to prevent
the creation of tax shelters in property or financial activi-However, there has been

comment that these proposals threaten to open up a wide range of new tax shelters for the better-off. Whatever the intention, there could be a repetition of the problems of the first half of the 1980s when similar tax breaks created a massive inflow of money into

office buildings. Conservative critics have ated to the extension of tax pomes to the extension of tax breaks for companies which produce gasohol, an alterna-tive to conventional petrol. This, they say, will benefit Archer-Daniels-Midlands, which moduces 20 research which produces 70 per cent of the US's corn-based ethanol

Mr Dwayne Andreas, its chairman, is a long-time sup-porter of the political and

charitable causes of Senator Robert Dole, the Republican minority leader, who was a key budget negotiator.
Senator Dole also helped
ensure the 10 per cent luxury
tax will not cover private air-

craft, as originally intended, critics point out. The headquarters of two leading private aircraft companies, Beech and Cesson, are in

## Oil price rises put skids under Canada's economy

Ottawa faces an uncertain economic outlook as inflation looks set to rise, writes Bernard Simon

HE rise in oil prices has come at a particularly cruel time for Canada. Just a few weeks before Iraq invaded Kuwait, the Bank of Canada was starting to lower interest rates for the first time in three and a half years. The bank was signalling its satis-faction with progress made in containing inflation, while responding to concern over a

steep dive in business activity.

Canadians have had little to eer about on the economic cheer about on the economic front lately. The economy appears to have sunk into a full-blooded recession; unaccustomed political volatility, centred on Quebec's future role in Canada and stirrings of discontent in the western provinces, have made foreign into the stirrings of the content in the western provinces, have made foreign into skittish; and magnetically tors skittish; and unexpectedly high interest rates earlier this year have thrown the govern-

The sighs of relief were almost audible as the Bank of Canada brought down its trend-setting weekly Bank rate from almost 14 per cent towards the end of June to 12.6 per cent in the third week of

ment's budget forecasts off-

Equally important, the pread between US and Canadian short-term rates narrowed from a peak of almost 6 percentage points to about 4.7

But with inflation set to receive a fresh push from the oil price, Ottawa's readiness to again tinged with concern over what lies ahead. The premium on short-term Canadian securi-ties has widened in the past fortnight to almost 5 percent-

age points.

Last month Mr Michael Wilson, finance minister, and Mr John Crow, governor of the Bank of Canada, delivered a double-edged message in speeches deliberately given within a few days of each

As Mr Crow put it, "after a As Mr Crow put it, "after a long delay, the economy is adjusting to a balance of demand and supply that can provide a solid basis for sustained non-inflationary growth." But he added there would be some "potentially difficult passages to navigate".

On the plus side, inflation measured by the consumer price index has fallen from an annualised peak of 6.6 per cent in mid-1969 to 4.1 per cent in August 1990. But the price has

August 1990. But the price has been a sharp contraction in the economy, especially the over-heated housing market and other interest rate-sensitive

With high interest rates holding up the value of the Canadian dollar, many export-oriented industries — such as forest products and steel — are also feeling the pinch.
Gross domestic product shrivelled by 0.4 per cent in the second quarter and, although no figures are yet available.

almost certainly contracted

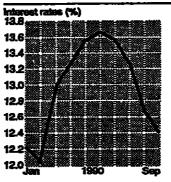
Mr Wilson has acknowledged that, on the technical definition of two quarters of nega-tive growth, Canada is now in ession. He has forecast real growth of 1 per cent for 1990 as a whole.

The full impact of the higher

oil price will probably not become apparent until the con-sumer prices index for October is published next month.

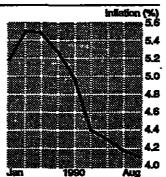
and services tax (GST) due to take effect next January; and a not-unrelated drive for big

The finance department esti-mates the GST, an across-the-board value-added across-the-board value-addentax, should pump up inflation early next year by no more than 1.25 percentage points. The new tax will replace a 13.5 per cent manufacturers' sales tax, with the likely result that



Mr George Vasic, director of economic research at consul-tants DRI/McGraw-Hill in Toronto, estimates that each US\$10 rise in the price of a barrel of oil will raise the CPI by 1.5 percentage points in the first year, rising to a cumulative 2.8 points in the third

There are two other concerns on the inflation front the impact of a 7 per cent goods



prices of some items, such as cars, will fall on January 1. The official estimate of a 1.25 point GST price jump is likely to be the limit of the central bank's willingness to accommodate the new tax in monetary growth.

Mr Crow, who has gained a reputation as one of the indus-

trial world's most ardent antiinflation crusaders, noted that "monetary policy must guard

against the risk that the expected jump in consumer prices will trigger an inflationary round of compensating increases in incomes and

But the unions are sceptical of government predictions of the GST's impact on prices and are pressing hard for wage increases well above the rate of

Despite slowing economic activity, Canada's unit labour costs grew at an annual rate of 6.5 per cent in the first three months of this year, up from 5.9 per cent in the opening parter of 1989. Workers at Ontario Hydro,

the province's power utility, won a 7.9 per cent pay rise. Similarly, settlements negoti-ated so far by Canadian motor workers are more generous than those agreed to in the US. And workers at Stelco, the country's second higgest steelker, have been on strike for more than two months in sup-port of wage claims.

Wage pressures may ahate in the months ahead as demand weakens further. The Bank of Canada will thus have slightly more latitude to bring interest rates down further.

Mr Vasic predicts a fall of another 1.5 percentage points by the end of 1991. A quick end to the Gulf crisis and a drop in oil prices could lower rates

Against this background caution is likely to remain the watchword. The Bank of Can-

ada badly misjudged the mood of markets and the condition of the economy earlier this year when it allowed a sudden % when it answer a statuen a percentage point drop in the Bank rate on the basis of what it thought was a serious weak-ening of business activity.

Not only was the economy steaming ahead but the fall in interest rates sent the Canadian dollar into a virtual free-fall. Since then the uncer-tain political climate following the breakdown of the Meech Lake constitutional talks last June has raised the risk of another run on the dollar if lenders are not given a worthwhile premium on their Canadian securities.

A sharp drop in interest rates - without a correspond ing decline south of the border and a fast-falling currency could also open the door to imported inflation. The surge in the Canadian dollar from 72 US cents at the end of 1986 to its current level of more than 86 cents has offset at least some domestically generated

Economists are virtually unanimous that the dollar is more likely to move down rather than up over the next 18

The Bank of Canada, with its eye on inflation, would proba-bly prefer a shallow decline. But its task will be made more difficult if either the economic or political climate deteriorates

## Souter wins strong backing from Senate

JUDGE David Souter will be sworn in as a member of the nine-strong US Supreme Court next Tuesday, after being over-whelmingly confirmed by 90 votes to nine by the Sanate late

on Tuesday.

The dissenters were all liberal Democrats from the north-east and the west coast, including senators from New Jersey and Massachusetts. They were concerned the judge might cast a decisive vote - in a conservative direction - on issues such as abortion, pri-

vacy and civil rights.
Several Democrat senators
who backed the judge's nomination expressed reservations
because of uncertainty about his views, but they argued he was the best that could be

expected from a Republican president.

The confirmation of Judge Souter, President George Bush's first nomination to the Supreme Court, became a certainty after impressive performances during confirmation hearings, when he appeared fair-minded and balanced.

Senator Joe Biden, Democrat Senator Joe Bassa, Demotrat chairman of the Senats judi-ciary committee, which recom-mended the confirmation by 13 votes to one, said he did not believe the judge was "the sort of man who would run roughshod over the constitution".

However, women's rights groups defending freedom of choice over abortion strongly.

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## Noriega on murder charge

opposed the nomination.

PANAMA has formally PANAMA has formally charged deposed dictator General Manuel Noriega with ordering the 1965 minder of a government critic whose gruesome death sparked the first protests against the former Panamanian leader, according a special propagation.

to a special prosecutor, Reuter reports from Passana City.

The prosecutor, Mr Carlos Herrera, said on Tuesday that he was also preparing to file formal murder charges against former. Colonal Roberto Dier. former Colonel Roberto Diaz Herrera for the death of Mr

he told visitors. One gave him the tip. Mr Pindling said he would work at various jobs at hotels in an attempt to instill a new attitude in the industry.

## Brazilian surplus increases

By Simon Fisher in Rio de Janeiro

BRAZIL has declared a treasury surplus for September of 27.851bn cruzeiros (\$328m), up from 25bn cruzeiros in

have increased almost 50 per cent in real terms while government spending has been curtailed by 16 per cent com-pared to the same period in 1989, according to Mr Geraldo Gardenali, national Treasury

However, just under half the surplus was generated by the compulsory sale to banks of privatisation certificates, which are not included in calculations of Brazil's capacity to

pay debt arrears.
Brazilian negotiators will open talks with creditor banks

mounting pressure from the international financial commu-nity, the government is insisting that payments must come out of the budget surplus.

can afford, it says, so as not to undermine the economic restructuring programme. Victoria Griffiths adds from São Paulo: Mr Romen Tuma, head of Brazil's federal police,

has launched an investigation into sharp food prices over the past month, threatening to throw some of the country's leading industrialists into jail. Mr Tuma is meeting today in

São Paulo with representatives of the food and supermarket sectors to demand an explanation for the large price rises.

According to a study by the
newspaper Folha de São Paulo, in the US next week. Despite

basic food prices surged 21 per cent in September, well in excess of the month's overall 13 per cent inflation rate.

Mr Tuma is concerned that
the elimination of controls on

food prices over the past few

months has led to "price

The investigation is part of a government squeeze on Bra-zil's powerful monopolies and oligopolies. The Ministry of the Economy revealed it is fining at least three companies for

"economic crimes against the people", as the price abuses were dubbed by President Fer-nando Collor de Mello. Newly created laws, such as the consumer defence code, have given President Collor's administration the legal power to take action against such paice rises. The Ministry of the Economy said a new list of economic offenders was being compiled. The paints and phar-maceuticals industries in particular are under suspicion of price setting.

# Nicaraguan right-wing rebels

At least 10 people have been reported killed in the incident, which follows several weeks of

tras have been seizing land owned by co-operatives or state farms in the Wasiala region. Their action is to draw attention to the lack of resources being provided by the govern-ment to resettle 20,000 former rebels and their families. Sev-

One former Contra leader,

age land seizures... but the medium-sized farmers of credit are living are appalling."
He said the \$30m (£15.9m) provided by the US govern-ment for the demobilisation and repatriation of the Contras

Tuesday's seizure of Wasiala by an armed force confirms earlier suspicions that not all of the Contras handed in their weapons during last June's demobilisation. It was suspected further arms caches were buried in the mountains. Mr Daniel Nunez, president of the Sandinista opposition-controlled National Union of

the largest peasant's organisa-tion in Nicaragua, condemned the government's economic policy on Tuesday, which he said was starving small and rebels "because if we do not resolve their problems there will again be war in Nicara-The economic situation was uniting the Sandinistas with their former Contra enemies

against the government and the big business sectors "because we are facing the same problems," he said.

Western Areas Gold Mining Company Limited ("WAGM") Elsburg Gold Mining Company Limited ("Elsburg")
Reg. No. 65/10728/06

South Deep Exploration

Company Limited ("South Deep")

Reg. No. 88/03931/06 (All companies incorporated in the Republic of South Africa) A proposed offer for sale by WAGM to its members of its entitlement to 16 123 390

fully paid shares of one cent each in South Deep and a listing of South Deep.

Further to the announcements on 21 September 1990 and 1 October 1990, WAGM announces that The Johannesburg Stock Exchange ("the JSE") has granted a listing for the renounceable (nil paid) letters of allocation ("letters") pursuan to the offer by WAGM to its members which include the members of Elsburg (other than those members whose addresses, as recorded in the WAGM and Elsburg share registers, are within the United States of America or Canada).

These letters will be listed from Monday &

39 416 000 ordinary shares of one cent each in

South Deep has decided that it would be prematu to apply for a listing of the company on the International Stock Exchange of the United Kingdom and Republic of Ireland Limited prior to the completion of the current exploration and development programme. The directors shall, ee: review the nosition once this stage of the

The timetable for the listing of the letters and for the listing of the fully paid ordinary shares of South Deep, as approved by the JSE, is as follows

October 1990 to Wednesday, 31 October 1990. A listing has also been granted by the JSE with effect from Thursday, 1 November 1990 for Record date for the WAGM affer – last day for WAGM and Elaburg shareholders to register for the offer – close of business on 5 October 1990 Friday Listing of the renounceable (nil paid) letters of allocation commence 8 October 1990 Offer by WAGM opens at 09H30 12 October 1990 Friday Last day for dealing in the letters of allocation on the JSE 31 October 1990 Last day for splitting letters of allocation by 14H30 1 November 1990 Listing of the shares of South Deep commences on the JSE WACM offer closes - last day for acceptances and payments to be made by 14R30

South Deep share cortificates posted on The WAGM and Elsburg offer circular including the renounceable (nil paid) letters of allocation

Lest day for late postal acceptances by 14H30

and the South Deep prospectus, will be posted to members of WAGM and Elsburg by Friday, 12 The documents relating to this offer will be available for inspection from 5 October 1990 at

Friday 9 November 1990 the offices of The London Secretaries, at the address set out below

Friday

The Lundon Secretaries Barnato Brothers Limited 99 Bishopsgate London EC2M 3XE

2 November 1990

7 November 1990

## take control of northern town By Tim Coone in Managua

the northern Nicaraguan town of Wasiala and taken control of the main road which links the Pacific and Caribbean coasts of the country.

unrest in the mountainous interior of the country.
Groups of demobilised Con-

eral people have already been killed in shoot-outs.

now active in the resettlement projects, said: "It is not the pol-icy of our leadership to encour-

"is just a drop of water in the desert" and would run out in

Farmers and Ranchers (Unag),

land in the country". He supported calls for land and resources to be given immediately to the demobilised

Mr Carlos Nunez, one of the top nine Sandinista leaders and the intellectual author of Nicaragua's present Constitu-tion, died of a heart attack in Havana on Tuesday, during a check-up on a prolonged illness from which he had been suffer**Bahamian PM** opens doors for hotel industry

Sir Lynden Pindling, the Bahamian prime minister who is spearheading a drive to boost the hotal industry, has had his efforts rewarded with a two dollar tin Bentier remarks a two dollar tip, Reuter reports from the Bahamas.

Mr Pindling, who has just assumed the portfolio of minis-ter of tourism, spent his first day on the job as a bellhoy at a Paradise Island hotel on Tues-day. "Welcome to Paradise,"

#### INTERNATIONAL MOBILE **COMMUNICATIONS**

The Financial Times proposes to publish this survey on:

15th October 1990

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FINANCIAL TIMES

#### Japan's leading index, now from the world's index leader.

ing. He was 45 years old.

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) service marks or standard at 1964 a e by the Chicago Mendantile Exchange. So Nikkel Stock Average is owned by and proprietary to Nikon Kezal Shimbun.

#### **UK NEWS**

## **Investors** given incentives to buy electricity shares

A PACKAGE of incentives designed to make the sale of the regional electricity companies the most attractive privatisation yet for individual shareholders was announced

The incentives will result in a return of more than 30 per cent in the first year to many small shareholders, according to estimates made by Klein-wort Benson, financial advisers to the government. The incentives were attacked

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by government critics as evidence of ministers' determina-tion to avoid further mishaps to the electricity sale, the biggest and most complex privati-

Mr Frank Dobson, opposition energy spokesman, said it showed the government to be rather desperate to unload the

electricity shares".

More than 2m individuals have so far registered with the electricity share information office, a figure which government advisers believe will apply the sanding of eventually swell to 5m-7m. The minimum investment in the sale of the electricity compa-nies, due to occur in late November, will be about £250 for 100 shares.



Dobson: "desperate" move

local electricity company will be eligible for £18 worth of vouchers to offset against their electricity bills for every £250 invested, up to a maximum of £270 of vouchers on an invest-ment of about £3,750. Alternatively, investors in their local company can apply

for one bonus share for every

10 shares, up to a maximum of 300 bonus shares on an investment of about 27,500. Investors who are not customers of a local electricity Ireland, will be eligible for one bonus share for every 20 shares

bought.
The electricity vouchers will be issued in six monthly intervals over the next 32 months starting in August 1991. The £18 voucher represents

7.2 per cent return on a minimum investment of £250, higher than the equivalent booms in the British Telecom privatisation, but less than that in the sales of British Gas and the water companies.

The particularly generous feature of the electricity sale is

the phasing of the payments for the shares. The first instalment of 100p will be payable on application, the second of 75p fall due in October 1991 and the final 75p in September Mr David Clementi, a Klein-

wort Benson director, yester-day described this as as "the longest instalment period on any privatisation to date".

Uniquely, it means that both the first voucher and dividend will be paid before the second

instalment is due.

It is on this basis that Kleinwort Benson has estimated the return at more than 30 per cent or 100 shares. company, including residents for someone making the mini-Customers investing in their of Scotland and Northern mum investment.

## Labour leadership defeated on defence

A VOTE by the Labour Party conference in favour of deep cuts in defence spending yes-terday dented Mr Neil Kinnock's attempts to reassure voters that his party would adopt a cautious and prag-matic approach to disarmament if it won the next general

Delegates in Blackpool voted overwheimingly to back a reso-lution calling for Britain's spending on weapons to be cut by a Labour government to the average level of other European nations to finance increased expenditure on the welfare state.

No precise figures were attached to the reductions. However, various calculations suggested that at today's prices the resolution would imply savings of £5tn-£5tn a year from the £21bn defence budget. The vote was immediately

discounced by the party leader-ship, who insisted that Labour's policy would remain to seek gradual reductions in defence spending in step with multilateral arms negotiations. Mr Kinnock shrugged off the defeat, describing the motion as "a wish list that nobody can really dislike but nobody can deliver".

He said the "resolution will not be the one that will be the policy of the Labour govern-ment. That policy will be one of providing an effective defence for Britain's interests and doing it on the basis of the

funding necessary.

The Labour leader also drew comfort from separate votes endorsing the party's stance on the Guli crisis and rejecting calls from some delegates for the party to revert to its policy of unflateral nuclear disarms-

A statement on Iraq's invasion of Kuwait approved by the conference lent its support to Britain's contribution to the multinational force in Saudi It also left open the possibility that Labour would support Britain's participation in mili-

tary action against Iraq with-out a specific United Nations

sanctions applied against President Saddam Hussein should be given time to work and warned that any military action taken without overwhelming international sup-port could wreck the chances of a lasting settlement in the

## **BRITAIN IN**



#### Japan starts more UK businesses

The number of Japanese limited companies in the UK has increased from 150 in 1987 to more than 200, according to a report by Jordans, the mar-ket research company.

Over the same period, the

average annual turnover of those companies has grown from £33.1m to £53.9m - an annual growth rate of 20 per

Only 10.4 per cent of the companies have a turnover in excess of £100m a year and are not particularly profitable. More than 20 per cent of the companies reported a loss before tax last year. Average profit margins are less than 2 per cent.

The type of Japanese business locating in the UK has changed, says the report. The carliest companies tended to be suppliers of electrical and electronic goods. These still represent 34 per cent of Japanese concerns in the UK. Most recently there has been a growth in the number of con-cerns involved in services and the automotive sector.

#### Belfast attracts 400 new jobs

The Inland Revenue is creating 400 jobs in Belfast, a move which marks the province's biggest success to date in attracting office work from south-east England.

Two offices are being set up in the city centre to handle tax refund work arising from changes next April in the taxa-tion of interest paid by banks and building societies.

The Industrial Development

Board, Northern Ireland's main job agency, calculates that a company or public body, employing 200 people in the south of England could save

gim a year by moving to the province. Savings arise from lower office rents, low turn-over of staff and absence of a pay supplement to cover higher living costs in London,

#### FT wins award for best design

The Financial Times has been named Britain's best-designed national daily newspaper in the 1990 National Design Awards. It was the overall winner in the national daily category and also won the award for the best news pages. The judges highlighted the clarity of the paper's presenta-tion and coverage of this

year's budget, which they praised for its "superb text treatments" and "excellent use

Other awards in the national daily newspaper cate-gory went to The Guardian, for its features pages, and The Daily Telegraph for its sports coverage.

#### Green guidelines to be drawn up

Environmental guidelines for public sector investment decisions are to be drawn up for the government by manage-ment consultants at KPMG

Peat Marwick.
The plan to publish guide-lines to help government departments appraise policies with implications for the environment were announced in last week's environment policy

Mr Chris Patten, the environment secretary, announcing Peat Marwick's appointment, said: "We are asking KPMG to advise us on good practice which will help policy makers in a number of departments. We are not looking for rigid



Patten: wants good advice

rules, but practical advice which will be accepted and used."

#### Jaguar steps up Italian sales

Jeguar, Ford's luxury car subture company with two Italian partners to import and distribute its cars in Italy. Jaguar Italia, to be based near Rome, will be 26 per cent owned by Jaguar Cars. The other 74 per cent will be split equally between its two current importers.

These are Milan-based Sepi Koelliker Automobili, which has traditionally handled Jag-nar's sales in northern Italy, and Rome-based Fattori Mon-tani, which has been responsible for sales in central and

The new structure has been devised better to manage Jag-uar's rising sales in Italy. In 1985, Jaguar sold only 350 cars in the country. Last year this rose to 850 and this year is expected to reach 920.

#### CIN expands its business

Venture Managers, the venture capital arm of the British Coal Pension Fund, has taken over the management of the unquoted investment portfolio of Barclays Bank Pension Fund. Barclays has just £12m worth of unquoted investments but CIN expects to increase this to £100m within a very

short period. CIN will also take over the £200m unquoted investment portfolio of Globe Investment Trust at the end of November following the British Coal Pension Fund's successful £1,1bn takeover bid for Globe.

#### Authorities advised on IT

Practical guidance for local authorities on standardisins and simplifying costing and charging for information technology (IT) services is provided in a paper published by the Andit Commission.

The Commission, an independent body which advises local authorities on efficiency, believes that the highest IT standards are essential as a result of the increasing pres-sure on councils to deliver value in providing services.

#### Timetable of power sell-off gives scope for profit Clare Pearson compares the latest government offer with other privatisation strategies

T first glance, those who have taken part in who have taken part in previous government privatisations may see little new on the menu of incentives being offered to private share-holders in the 12 regional elec-

tricity companies. In particular, they bear a close resemblance to incentives provided in last year's flotation of the 10 water companies.

That is not surprising since, as in the case of the water

companies, they are designed to encourage people to buy shares in their local companies: previous privatisations lacked this regional dimension. Closer inspection, however, reveals electricity differs from all previous privatisations in

one notable respect.

This hinges on timing, and it has opened up the opportunity ment, due next October.

for the canny investor to achieve a handsome return on his initial investment, provided he buys shares in the company of which he is a customer.

investors in British Telecom and British Gas became eligi-ble for vouchers only after they had made the second pay-ment on the shares, which became due during the midsummer of the year after the flotation. Investors in water, similarly, could get the benefit of the initial cash discount only if they made the second

tyment. But, in the case of electricity, vouchers worth £18 for every £100 invested, up to a maximum of 1,500 shares, will be sent to eligible investors

They will also receive a divi-dend payment, worth about two-thirds of what the compa-nies would have expected to make in a full year, in September. Only in the following month will they be asked to make the second payment, expected to be about 70p on the indicative fully-paid share price of 250p.

The official explanation for

this change in timetable is the number of other calls on the market during the earlier part of next year. Before the end of July, the Government plans to sell the generators and the Scottish electricity companies, while also asking for the third payment instalment on water. Yesterday, Kleinwort Benson, the Government's financial advisor, said that, putting the voucher and the Rogerson, the Government's

expected level of dividend pay-ment together, the shares would provide a return in the first 12 months of more than 30 per cent. The person who sold his shares before making the second payment stood to do even better.

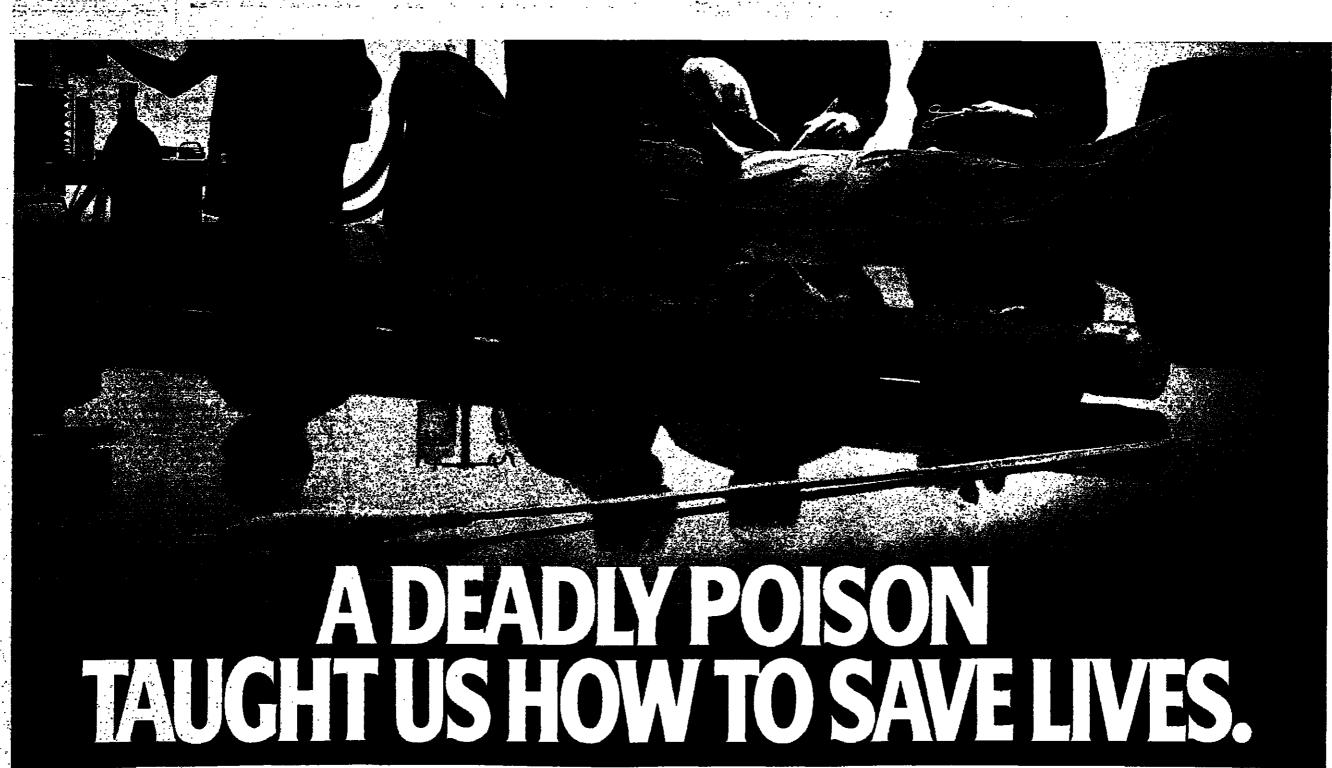
It is also worth noting, before getting carried away with the Government's generosity, that the vouchers look much less startling as a per-centage of the fully-paid value of the shares. Indeed, they appear almost stingy compared with the 8.3 per cent discount provided on water, which was well ahead of

the British Telecom vouchers, worth 6.9 per cent on the fullypaid share price, and gas vouchers worth 7.4 per cent. That, according to Dewe

marketing advisers, gives us no clue as to what was thought about the relative attraction of water shares when the incentives were devised.

It was simply that, because shareholders were offered a cash discount rather than a bill voucher, its value - set as close to other privatisations as possible - had to be set at a round number. Cash discounts were chosen because of the complexities of the water bill-ing system, which made offering vouchers impracticable.

However, with electricity, it has been possible to revert to the bill voucher; an incentive apparently preferred by the electricity chairmen themselves, who see it as enhancing the psychological links between shareholder and local investor.



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CREATING THE RIGHT CHEMISTRY



## British Rail faces fare rise Fast food pleasure has its slower moments after property price slump Richard Tomkins tastes an InterCity feast and rides on a branch line facing cuts

PROPERTY sales at British Rail are expected to be £120m below forecast this year, which will mean the corporation having to raise at least an extra £100m in cash flow by next March, according to BR's inter-

The fall in property sales, which have offset losses on BR's rail operations for the past two years, is likely to put pressure on rail fares. Mr Jimmy Knapp, leader of the RMT transport union, pre-

RMT transport union, pre-dicted yesterday that it would lead to fare rises.

A BR internal memorandum disclosed by the RMT says that BR was this summer expecting group profits on extraordinary activities including property and asset sales to be \$252m in this financial year - £113m worse than forecast.

worse than forecast.
The memorandum says BR's property board had reported that "the depressed market could lead to a shortfall on the property sales of up to £120m". It says this will increase the external financing requirement

for the corporation.

The fall in property sales at BR is a further indication of the fragility of the property It will also make it more dif-ficult for BR to reduce its



subsidy and loans in line with

targets.
The BR memorandum by Mr The BR memoranoum by Mr Stanley Whittaker, director of finance and planning, says the corporation will breach the government-set external finan-cing limit of £700m for 1990 unless it achieves a cash-flow improvement of £100m-£150m.
It predicts group profit on ordinary activities of £38m, which is £14m better than fore-

cast. Investment is expected to

be £868m, or £16m more than forecast. Each of the figures

excludes additional safety requirements put on BR by the

Mr Knapp predicted the shortfall in property sales meant BR would "almost certainly be imposing on the travelling public another swingeing round of fare increases of up to 29 per cent". He said it damaged BR's policy of subsidising rail operations through property. through property.

BR increased fares overall by

9 per cent in February, and made a set of rises to fares on regional services this week. They included rises of between 9 and 14 per cent on London Midland services and about 3 per cent on Western Region. The corporation said it could not comment on the memorandum. However, it insisted that a fall in profits on extraordi-

direct impact on fares because these were counted under its ordinary activity budgets.
In the last financial year, BR
made a profit of £319.2m on
property sales, compared with
£263.5m on property in 1988-89. In its corporate plan last year, it predicted profits on property and asset sales of £293m this

Property sales have made large contributions to overall profits in the past two years.

shire, my one reservation is the roughness of the ride. BR's determination to wring ever-higher speeds out of tracks laid down in the last century means that manoeu-vring a sausage into the cor-rect orifice can present a formi-

HERE IS nothing to compare with a British Rail breakfast aboard an InterCity train while the countryside whistles past at 125mph. Nothing tastes so

sures: two pork sausages, two rashers of grilled back bacon, a fried egg, mushrooms, toma-toes, saute potatoes and a piece of fried bread, eaten in the first-class restaurant car and preferably at someone else's

Insofar as anybody ever has insolar as anybody ever has anything good to say about ER, they usually reserve it for intercity. This is the passenger operation that BR has most nearly got right the jewel in its tarnished crown and, after Railfreight, its most profitable

As the 9.30 am from King's Cross to Darlington thunders northwards through Hertford-

dalle challenge.

My worries, however, prove uncalled for. We have only been travelling about 40 minutes when our train shudders to a halt in a field somewhere south of Huntingdon. "An automatic barrier has falled at a level crossing," the train announcer declares. "We will be delayed about five min-

Nobody seems surprised when we are still there half-anhour later. The delay does, however, allow time for the safe ingestion of breakfast. Less happily, the field view becomes tedious and we do not make up the time so I miss my connection at Darlington.

At 3.45pm, after two train changes, I reach Whitby, a delightful fishing port in North Verbeling. He besteven to the

Yorkshire. Its harbour is the narrow estuary of the River Esk, whose winding route down from the North York Moors is followed by the Esk

Valley rallway.

This very minor branch line escaped the Beeching are in the 1960s because the villages it serves are far from the near-

But where Beeching failed, BR's provincial sector today seems determined to succeed, for the already sparse service is now being cut this week from seven trains each day in both directions to only

the incompatibility between BR's financial objectives and its social obligations. BR says the line is one of the heaviest loss-makers in the country. for every £1 in revenue, it incurs £10 in costs. The losses have to be stemmed and the cuts it is making will save £100,000 a

BR suggests that economies such as these will safeguard the line's future, but the passengers I talk to on the 6.41 from Whitby to Middlesborough the next morning are rather more cynical.

Mr Mike Smith, a boiler-maker travelling to work in Groamont, says: "It's a deliberate plot to run the sarvices down to the point

services down to the point where the line's unusable. Then they can close it and put the blame on the public for not

It is a wonder that anyone uses the line even now. Never mind the service; the stations have been allowed to fall into an appalling state, all of them unstaffed and many consisting of nothing more than a hideous

Whitby station itself, the gateway to the line, looks as though it was once very pretty. Now it is empty, derelict and heavily vandalised.

Even so, use of the line has risen by a remarkable 30 per cent over the past five years, largely because of a marketing campaign that has concentrated on selling the line's scenic qualities to tourists. nic qualities to tourists.

ER says the cuts it is making will not affect the line's viability because the trains being

axed are the early morning and evening ones which are hardly used. I will be lucky to find even half-a-dozen people using the 6.41am from Whitby, it

Wrong. At Whitby, there are five of us on the two-car train - me, the bollermaker, someone in the fish business and

one in the fish business and two tourists.

At Grosmont we are joined by a railwayman, at Egton by a student, at Lealholm by another student and a villager on a shopping expedition, and then at Danby by a worker from a village for handkapped needle.

people.

Three more board at Kildale

two shoppers and a woman
who has been on a twiceweekly visit to her mother
and at Great Ayton we are joined by a man going to work at Middlesborough Magistrates'

diesborough, we have 26 aboard and the little train is feeling quite crowded.

Most of the 14 passengers I speak to have no convenient alternative to the rall service which is about to be cut and will fise considerable hardship as a result of the cuts.

as a result of the cuts.
Two questions. If the dawn train from Whitby can attract so many passengers on a line which is so badly line which is so badly neglected, how many more travellers would be encouraged to use the line if services were increased instead of cut, and if the stations were provided with basic amenities?

And would any other Euro-

pean railway get away with treating its customers so

On the outward journey to Whitby, I had fallen into con-versation with Mr Michael Dallas, a Dutch sociology student from Amsterdam, who was

spending a week travelling on BR "for pleasure." He said: "I like trains, I have travelled extensively on the rallways in the Netherlands, West Germany, East Germany, Belgium and England." And what did he think of

Britain's railways?

He pondered a moment, looked at me solicitously, and said: "Well, they are better than East Germany's." It is the faintest praise I have ever

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## **Bank of Scotland** maintains strength

By David Lascelles, Banking Editor

BANK of Scotland managed to ride the UK economic downturn to produce a 9 per cent increase in interim profits, matching market expectations.

The Edinburgh-based institu-tion made £105.5m before tax in the six months to August 31, in from 296.9m last time when results were hit by an excep-tional £12.6m charge for bad Third World debts. This was equivalent to a rise in return on equity from 28.9 per cent to

24.1 per cent.

Mr Bruce Patullo, chief executive, said: "The underlying business has been remarkably buoyant."

This was partly because business conditions in the north of the UK had been better than in the south. Also, there had been a reduction in competition in the banking market which had resulted in

in addition, the group had benefited from a further fall in the ratio of expenses to total income. This was 53.1 per cent, down from 54.8 per cent. The bulk of the earnings came from the Bank of Scotland itself where profits were 276.1m (£71.4m). Business had

grown in most areas. Net inter-

markets to fund growth, the cost impact was offset by success in attracting more retail deposits. Non-interest income rose 16 per cent, helped by expanded credit card operations. The bank continued its policy of making a formula-based charge for general provisions against bad debts. But it also sharply increased its specific provisions to £56.7m, up from

est earnings rose 15 per cent. Although the bank had to

resort to the wholesale money

£21.1m the year before. It also reallocated £10m from the general to the specific reserve. NWS Bank, the Chester-based finance house, showed a 31 per cent increase in profit to 228m, defying the overall trend in the sector.

This reflected success in maintaining margins, and the benefits of investment in new

Total assets rose 23 per cent to 220.6bn. The capital ratios were 5.5 per cent for Tier 1 and 9.8 per cent for Tier 2, which Mr Patullo said was satisfac-

An interim dividend of 2p has been declared, an increase of 38 per cent.

## The challenge to be more business-like

Hazel Duffy probes why British Chambers of Commerce trail behind European counterparts

BRITAIN'S chambers of of training. In 1986, they pro-commerce today launch an vided 1.8m apprenticeships. attempt to catch up with their better-resourced and more sophisticated continental coun-

The plan, backed by government money, and personnel seconded from the Department of Trade and Industry, is designed to enable the chambers to give more help to busi-ness, particularly to the thou-sands of smaller companies

which are still unprepared for the single European market. The most tangible improve-ment will be an information network covering the products and services of 70,000 compa-nies which belong to larger chambers. This will be working by July 1991.

The previous lack of such basic data points to the scantiness of service which is offered by the chambers.

The national chamber movement is based on a loosely federated group of local chambers. Membership is voluntary, unlike in Germany, France, Italy and Spain, where compa-nies must belong to their local

British chambers are divided on the wish for a statutory system. But the question is academic, at least for now, because the govern-ment - pledged to cut "bur-dens on business" - cannot be seen to impose an extra charge and obligation.

Increasingly, however, the better-organised and more for-ward-looking chambers realise that the lack of resources inherent in the voluntary system denies them an opportu-nity to match the breadth and depth of services of their continental counterparts.

German chambers, for instance, are prime organisers

Some British chambers organise training, but it is on a smaller scale. A few run their own training schools and as

more companies have cut in-house training, such schools have filled a gap and have also provided an important source of revenue for the chambers. However, the essentially patchy state of training was the main reason Mr Norman Fowler, then Employment Sec-

retary, decided not to give the chambers responsibility for organising training provision, as some would have liked. The outcome of that debate was the setting up of the government-backed Training and Enterprise Councils (TECs).

Another example where the government has not trusted the chambers to provide an effective service is in the transfer of technology. In Italy, chambers have set up 40 special centres for the exchange of information on technology at the local level. In British, the DTI prefers to run its own schemes nationally.

With a few exceptions, the chambers are still seen locally as unenterprising, even by their supporters.

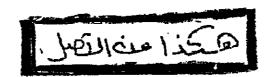
Mr Miles Middleton, the president of the Association of British Chambers of Commerce, is determined to change that image, and to boost membership from the current 90,000 companies to 150,000 by the end of 1994. A senior partner with Coopers Deloitte management consultants in Newcastle, and the architect of the new chambers strategy which is now being implemented, he is in a unique position to bring the British chambers at least to the starting point for 1992.

men

thy British

interparts

EUROPE



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Playing Captain Nemo is no longer just a dream, writes Martine Leventer. It has been a reality since the mid-1980s as more and more leisure submarines have taken to the seas off the Caribbean, Hawati, and Guam, as well as into the Finnish lakes. To date, though, these have been vessels carrying 30 to 40 tourists. Now Accor, the French hotels group, is set to offer rides next year in a miniature submarine like set to offer rides next year in a ministure submarine like the one above as part of its marketing effort to lure tourists the one above as part of its marketing effort to lure tourists to Martinique and Guadaloupe. The company chose a high-profile occasion to reveal its plan — a television programme it sponsored featuring the manufacturer of the vessel, SMAL industries, SMAL, a French start-up company founded in 1988 by a 34 year-old engineer, Jean-Michel Onofri, first developed a two-person submarine — one passenger and the pilot. Last year it was offering for FFr 350 a 45-minute ride off the Mediterranean coast, as well as a ten-hour training course for aspiring pilots. Onofri believes that a low-priced submarine that is inexpensive to operate can find a market among seaside hotels, resorts and coastal municipalities trying to lure tourists. The SMAL submarine, which has been natemed in France and the US, comprises a light steel ented in France and the US, comprises a light steel hull, a transparent plastic cylinder (produced in the UK) allowing 360-deg vision, air tanks, sufficient oxygen for up to 72 hours beneath the surface and telephone communication with a surface boat. There are three versions at the moment - for one, two or five people. Accor will be

## his article is not for the faint-hearted. Touche Ross, the accountancy group, has just published its annual survey of the profitability of the UK's leading advertising

agencies. Last year's survey made gloomy reading. This

year's is even gloomier.
The advertising industry, according to the survey, having been "under-capitalised and under-managed for half a decade", now faces mounting decade, now taces mounting liquidity problems. Yet, as the UK economy stips into recession, advertising agencies are still allowing overheads to rise far more quickly than revenue. Almost all the indicators for the industry's finances are worse in this year's survey than the last. Profit margins and profit ner employee have and profit per employee have fallen for the first time since

the survey was started six years ago by Spicer & Pegler – now part of Touche Ross. The number of agencies reg-istering a deficiency of net current assets has increased. The level of their long-term loans is far higher. Interest charges are taking a larger chunk out of pre-tax profits.

No one in the advertising industry needs reminding about the traumas of the past year or so. The problems posed by the slump in advertising expenditure have been aggra-vated by the financial burden of the borrowings and liabilities built up in the industry's over-ambitious expansion in the mid-1960s.

Some agencies have suffered falls in profit. Others have lurched into losses. Share prices have plunged across the marketing services sector. Saatchi & Saatchi, once the

## Liquidity under more pressure as overheads continue to rise

Alice Rawsthorn looks to the causes of current doom and gloom in advertising

sector's undisputed star, has seen its shares collapse. One publicly quoted agency, Yel-lowhammer, recently went into

Touche Ross attributes the industry's difficulties to: weak senior management;
 expansion into unfamiliar areas without adequate con-

o poor financial monitoring, over-optimism when incur-ring heavy financial commit-

Touche Ross gathers infor-mation for its survey from the

audited accounts and public documents issued by 50 adverdocuments issued by 50 advertising agency groups. These companies, according to the new survey, have experienced a sharp fall in profitability.

The average profit margins — operating profits as a percentage of turnover — of the

nies surveyed fell from 2.7 to 2.1 per cent. Operating profit margins on gross income

Oglivy & Mather (Holdings) Geers Gross Foote Cone & Beiding

Twanter I nompson UK Tod Bates Holdings Young & Rublcam Holdin Allen Brady & Marab Boase Massimi Politi

Grolsch set to tap the capacity of the British lager drinker

Philip Rawstorne reports on the Dutch brewer's move in the wake of the Monopolies and Mergers Commission findings

declined from 12.8 to 10.2 per cent. Gross margins slipped from 21 to 20.7 per cent of turn-

advertising industry also became less efficient. The level of productivity — operating profit per employee — fell by 19 per cent. This is due to a 4 per cent rise in labour costs and a 5 per cent increase in gross income rose by just 2 per

At the same time the industry's financial position is weak-ening. Nearly half the groups surveyed suffered a deterioration in working capital. The net current assets of the 50 groups fell from £149m to £21m and their aggregate cash bal-ances declined from £187m to

A number of companies also have heavy earn-out commit-ments which are not provided for. These include WPP, Saat-

Fate of top ten profit earners surveyed in 1984

chi, Aegis and Shandwick.

The long-term loans held by
the 50 groups rose from £480m
to £632m. Aggregate interest
costs reduced pre-tax profits by enters another difficult year. Last week the Advertising Association reduced its forecast for expenditure growth from 5 to 3 per cent for 1990. This means expenditure will more than 17 per cent during fall by 6 per cent in real terms.
The AA predicts a nominal increase of 6 per cent — implying real growth of 1 per cent on the AA's — for 1991. the period surveyed compared with 5 per cant in the previous year. Before then interest and investment income had made a

positive contribution to profits.

The number of companies Some agencies do seem more stable. Touche Ross singles out with a deficiency of net current assets rose from 16 to 17. The scale of those deficiencies increased significantly. A defi-Abbott Mead Vickers and Anott mead vickers and Bartle Bogle Hegarty as exam-ples. It considers it significant that neither company has pur-sued an aggressive acquisition ciency on net current assets can be a serious problem for agencies in that it may make it difficult for them to gain credit strategy.

Advertising has always been

approval from the Independent Television Association, witha volatile industry. The fortunes of agencies have fluctu-ated wildly over the years. One indication of the degree of instability is the fate of the top out which they cannot buy air-This combination of dwind-ling margins, rising costs and ten profit earning agencies from the 1984 survey. Saatchi, which then topped mounting liquidity problems

have been bought by the WPP Group. Ted Bates is now part of Sastchi and Boase Massimi Politit belongs to Omnicom. Allen Brady & Marsh was bought by Lowe which, in turn, has been acquired by Interpublic Foote Cone & Beld-ing has struck a cross-shareholding agreement with Publi-

recovering after heavy losses in 1988, and Lopez, recently embroiled in a boardroom row. Young & Rubicam is the only one still in private hands.

Perhaps the most polgnant testimony to the industry's voluments that the restimony to the industry's voluments. testimony to the industry's vol-atility lies in the tables for highest productivity and operating profit margins in the lat-

est survey.

The VPI Group lies in second place in the productivity table and Yellowhammer is second in terms of operating margins, Only a few weeks ago VPI returned to private ownership in a rescue deal and Yellow-hammer fell into the hands of

the receivers.

\*Advertising Industry Survey, published by Touche Ross, Hill House, 1 Little New Street.

op, 20			
Productivity of	50 agency 9	konba(g b	er employee)
	Latest period	Previous pe	riod % change
tress income*	45,781	44,830	+2 -7
erheads	41,119	39.072	+5
perating profit	4,682	5.758	- 19
Employment costs	24,324	23,396	+4
pereting mergint	10.2%	12.8%	
	طعوه لاحجال محما حصور	10mm and profit	nersk og grogs krimen

rolsch, the Dutch brewer, which in the past decade has carved a £50m niche in the UK's pre-mium packaged retail lager market, will this month expand its operations into the bigger draught market. Wolverhampton & Dudley

using the five-person model.

Breweries is to put Grolsch on tap in 350 carefully-chosen pubs, mainly in the West Midlands. A second regional brewer is expected to follow

suit shortly.
Since the Monopolies and Mergers Commission last year moved to inject more competi-tion into the UK brewing industry by loosening the grip of the national brewers on pub retailing, many overseas brewers have been considering the opportunities opening to them. Grolsch is one of the first to Groisch, with a 15 per cent share of the Heineken-domisten Pils and Carlsberg Special Brew, in the sector. nated Dutch beer market, decided in the mid-1970s that But Groisch rejected any its growth would depend on an

margins. It is now sold in 35 countries; exports account for 20 per cent of production but 30 per cent of turnover.

It entered the UK - now its biggest export market with sales of 120,000 barrels - in 1979. The timing was fortunate. The market for premium pack-

export drive into markets in which it could earn higher

idea of trying to gain short-term volume sales by a licensing agreement with a UK brewer in favour of a slower growing, but ultimately stron-ger, independent stance.

Just as important, it set about the long-term task of building the brand by invest-ing consistently in marketing to establish a distinctive identity among UK consumers.
"The result," claims Dermot Magee, managing director of Grolsch (UK), "is that, while aged lagers was under-developed, with only two

many other beers enjoyed geist-afflicted kitchen. short-term, trade-led success, without ever developing into genuine brands, we established a position in the market which enabled us to develop trading relationships with all major brewers and wholesalers." In the advertising saturated UK lager market, Grolsch made its initial impact with its packaging. The "swing top" bottle – "You can't top a Grolsch" – has been the focal

point of advertising campaigns by Holmes Knight Ritchie, most memorably in a televi-sion commercial featuring the bottle's survival in a politer-

"That advertising gave the brand very favourable consumer perceptions and high levels of awareness and trial,"

Just as Perrier and Coca-Cola have retained the original shapes of their bottles, Grolsch's swing-top will con-tinue to be a potent emblem of the brand; but Grolsch's advertising in the UK this year has switched the emphasis to product quality.

Grolsch jealously protects the purity and flavour of its beer - it is not pasteurised and no preservatives are the final fermentation, or lagering, than most other

Bought by WPP Recovered in 1988 after beavy los

Two television commercials now deliver the message that, though most things can be faked, there is only the one Grolsch lager, brewed in Enschede and Groenlo near the Dutch-German border.

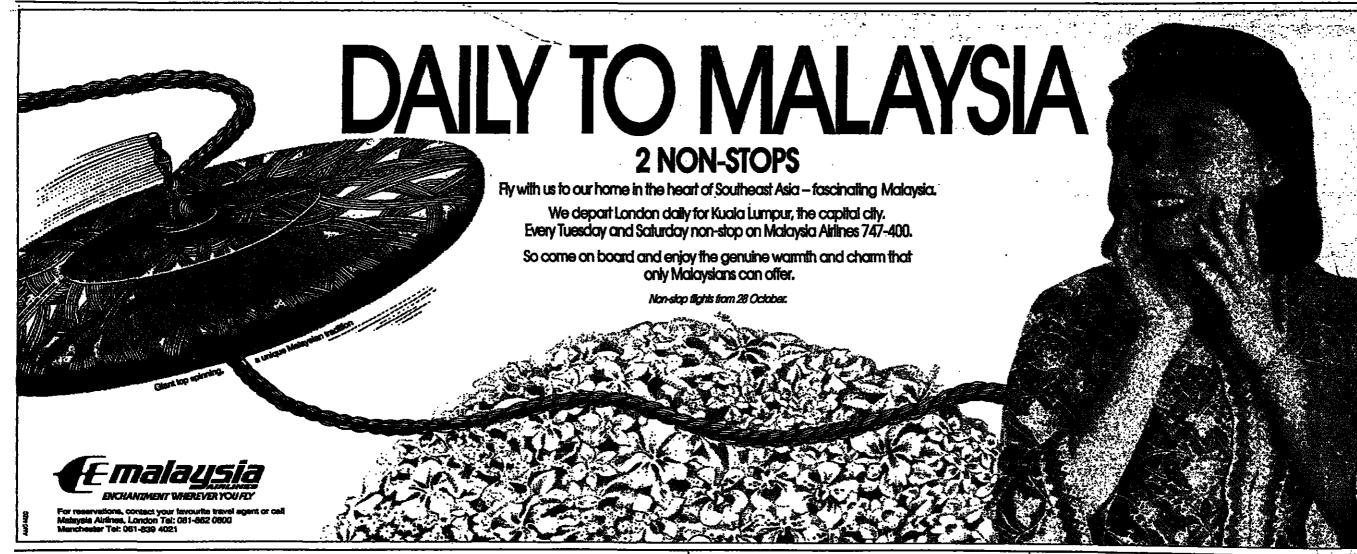
The aim is first to establish the consistent quality of the beer whether bottled, canned, or on draught

The second is to position the brand to take advantage of what Groisch sees as opportunities arising from changes

both in the structure of the UK brewing industry and the demands of consumers.

We expect premium lagers to double their volume share of the lager market in the next 10 years, as lager itself increases to more than 60 per cent of the to more than 60 per cent of the total beer market," says Magee. "Brewing and retailing interests will increasingly be segregated. As previously guaranteed tied estate distribution begins to dwindle, retailers will have to cater for more knowledgeable, consumers. knowledgeable consumers demanding brands that deliver real, rather than imagined,





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The Financial Times proposes to publish this survey on:

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For a full editorial synopsis and advertisement details, please contact:

> Patricia Surridge on 071-873 3426

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**FINANCIAL TIMES** 

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## A phone call from the sky

to make international tele-phone calls and send faxes around the world as they cruise at any point in the skies. British Telecom will be the first company to provide a commercial satellite communi-cations service for airliners after being authorised to offer this service from its ground earth station at Goonhilly in Cornwall by Inmarsat, the international satellite organisa-

BTs lead in coming months, Inmarsat said yesterday.

The new BT service will

enable passengers to make telephone calls from anywhere in the Atlantic Ocean region to anywhere in the world. By the anywhere in the world. By the end of this year, other ground earth stations in the Atlantic, Indian Ocean and Pacific Ocean regions will come into service allowing passengers to make telephone calls from any-

where in the world. Until now, airline communi-cations have been limited in range, capacity and reliability. The satellite system will now provide a telephone service in the air similar to services on the ground. Calls will mittally cost about \$10 (£5) per minute but the cost is likely to come down as the service becomes

KLM Royal Dutch Airlines will become the first carrier to offer commercially telephone services in the air next month. Other airlines, including British Airways, have already con-

ducted airphone trials.

It has taken about six years to develop the Inmarsat aeronautical system, said Guntis Berzins, general manager of the Inmarsat aeronautical ser-vices division. "Authorising Goonhilly to offer services represents a major milestone in bringing the benefits of satelation community." he added

In addition to voice communications, other planned aeronautical services include airline operational and administrative messaging and later air traffic service commu-

#### pple Computer is back on the offensive, gunning to grab market share from competitors and to expand sales of its personal computers to first-time buyers with new low-cost products and a broadly revamped manufacturing, distribution and

manufacturing, distribution and marketing strategy.

"We made mistakes, but we have learned from them," John Sculley, Apple chairman and chief executive, acknowledged this week as he described Apple's strategy for a bold comeback. Apple will become much more aggressive in its efforts to expand sales over the next 12 months, he claimed.

Apple has had a difficult year.

Apple has had a difficult year, beginning with the departure of several senior managers and disappointing sales over the critical Christmas quarter. The company's share of the world market for personal comput-ers has declined, according to market analysts, from just over 9 per cent in 1989 to about 8 per cent this

year.
Competitors have been gaining on Apple since the introduction of Microsoft's "Windows 3.0" program, which gives IBM-compatible personal computers many of the "user friendly" attributes of an Apple Machaella 1988 (1988).

Company morale has been hit by layoffs and stringent cost cutting. Sculley has dedicated most of his time to the urgent effort of bringing new low-priced products to market. This task all but complete, Sculley emerged this week to kick off e's bid to reclaim its star status in the personal computer business.

## **Another bite** at the Apple

Louise Kehoe describes the company's ambitious plans to revise its strategy

"The are no sacred cows at Apple anymore," Sculley declared. Among the first to go will be Apple's vaunted 50 per cent profit margins, the highest in the personal computer industry, which Sculley said he is now prepared to sacrifice to the cause of ingressing selections. on October 15 Apple will launch

On October 15 Apple will launch three new personal computers aimed at consumers, schools and small businesses, which will be priced "more aggressively than any Apple product in the past," Sculley said.

A "Macintosh Classic" priced at \$1,000 (2530) is expected, along with higher performance colour-display models at prices of \$3,000 to \$5,000. Prices will be consistent, worldwide.

Apple promises.
Although the Apple executives declined to discuss details of the new products or pricing, Michael Spin-dler, Apple's chief operating officer, appointed in January, said that the and Compaq but also to challenge the prices of lower-cost clone mak-

ers. While acknowledging that economic uncertainties make this a difficult time to predict results, the Apple executives maintained that their new low-price strategy will likely appeal to cost-conscious buy-

"In a weak economy, as the United States certainly is in, it's a lot more reassuring to be introducing three major products at price points that are going to be extremely affordable," said Sculley.

In a significant retrenchment, Apple has disbanded its US sales force, originally formed to sell to large corporate buyers, and will sell only through independent resellers, as it always has in other countries

The decision reflects Apple's new nphasis on improving relationships with third parties including com-



John Sculley

ers as well as other computer manufacturers such as Digital Equipment, with which it has co-developed net-

with which it has co-developed net-working technology.

"Alliances will play an increas-ingly important role in the personal computer industry," said Sculley. One such alliance which Apple is helieved to be considering is a manu-facturing deal with Sony of Japan under which Sony would build por-table personal computers on Apple's table personal computers on Apple's behalf.

Apple has also changed its manufacturing strategy to become more flexible. Acknowledging that it is difficult to predict patterns of demand for new products, Spindler said that Apple will "forget Just In Time"



methods of inventory management and adopt a less rigid approach, despite higher costs.

(As an early adopter of just in time, Apple significantly cut its inventory costs by ordering components frequently on an "as needed" basis. The approach has since been widely embraced by US computer manufacturers. manufacturers.) In a move toward "globalisation"

of its operations, Apple will simulta-neously launch its new products in 121 countries, shipping direct to resellers from three factories using 38 airines, Spindler said.
On October 15 an audience of

"hundreds of thousands" invited guests around the world will view

television broadcasts of the product introduction event. Apple said.

The launch is "the most complex every undertaken by Apple. Sculley said. It will be heralded by a \$40m blitz of advertising and promotion. Reflecting Apple's new aggressive stance, television and print adver-tisements will take digs at competi-

"It is a lot more fun to be on the offensive," Sculley admits with a grin. Indeed, there is much in Apple's new marketing strategy that is reminiscent of the company day, when it challenged IHM's leadership in the personal computer market with the launch of the first Macintosh personal computer in 1984. Since then, Apple has been more restrained, attempting to proect a serious image to corporate

ect a serious image to corporate computer buyers.

As Apple tries to regain its momentum through sales to individuals — be they consumers, small business owners or teachers — the company is returning to its roots.

"We used to be accused of being a toy computer company, Sculley recalls. Apple's efforts to establish itself in the business market during the past five years now appear to have succeeded at the expense of its traditional strongholds in the education, consumer, and small business segments of the market.

segments of the market.

The challenge now facing Apple is whether it can reclaim its consumer appeal while maintaining its hold on a share of the business market. "We have got to demonstrate that we can walk and chew gum," Sculley acknowledges.

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## The floppies bounce back

new standard is emerging for floppy discs
that not only doubles
their capacity but stands to
change the way in which personal computers are used. The
new standard – known in the computer industry as MS-2 Extra Density — will allow storage of up to 4 megabytes of data on a single floppy. This is enough space for

computer companies to consider designing systems which will allow music, full-motion video and complex photo-graphic-quality colour images on floppy discs — making the computers which use these technologies much cheaper and more flexible. The first wave of products to use the new disc standard are

already starting to appear, with the announcement this stations from the Next computer group — the company started by Apple Computer cofounder Steve Jobs after his departure from the company five years ago. The new Next range, unique in its handling of high-quality colour graphics and sound, will offer storage

on the 4 Mbyte floppy discs.

The previous generation of Next computers did not offer conventional magnetic storage and instead had to rely on more expensive laser-based optical storage technology.

While this system offered huge 4 Mbyte disc drives to meet the growing demand by manufac-turers. Most of this demand is likely to come from the IBMoptical storage technology. While this system offered huge storage capacities, it was comparatively expensive and did not conform to computer industry floppy disc standards. These factors — combined with the computer industry's rejuctance to support yet another computer design — did not help sales of the original Next systems. Use of the new 4 Mbyte floppy disc

new 4 Mbyte floppy disc drives, however, has helped bring the price of the syste down; storage media will cost less and there will be a greater choice of disc drive and media suppliers. Japanese manufacturer Citizen, for example, announced this week that it supports the new disc format and will shortly begin producing

compatible personal computer sector of the industry — where the "formatted capacity" of the discs will come down to a still-impressive 2.88 Mbytes (twice the current maximum for 3.5 line) former discs. (twice the current maximum for 3.5-inch floppy discs). Meanwhile, floppy disc media developers are at work on two higher capacity sizes of floppy disc: the 12 Mbyte and 20 Mbyte floppy disc. Of the new disc formats, however, only the 4 Mbyte is a commercial product today. This is

only the 4 Mbyte is a commer-cial product today. This is because it is technically one of the easiest to develop — and also one on which broad agree-ment among floppy disc media and disc drive producers could be reached relatively quickly. Like many areas of the elec-tronics industry, the floppy disc sector requires a broad consensus among a number of

consensus among a number of manufacturers before a new

floppy disc format can be Not only do floppy disc

media makers need to ensure that both drive manufacturers and computer makers will be producing drives and computers that can use a new floppy disc type, but there must be a significant number of them to have an impact on the market.
The recently developed
2 Mbyte, 2-inch floppy disc is a
good example of this.
Although developed in conjunction with a number of media makers and drive manufacturers for use in portable computers and elsewhere, the only major computer manufacturer to commit to the format so far has been Zenith. However the company recently ever, the company recently announced a newer version of its MiniSport computer that replaced the 2-inch drive with a more standard internal

20 Mbyte hard disc. But according to Simon Hol-loway, technical manager for

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employees. 39 Senior Murata

Kao Corporation, the Japanese household products group that has expanded rapidly into the floppy disc market, developers of floppies should not limit their horizons to computers. Other products are now starting to use floppy discs such as electronic ca music synthesizers.

"In terms of the unit mar-ket, I suppose the limitations on that are going to be the improvements in non-computer fields such as data compression techniques," he says.

"And pictures take up a lot of space. The 2-inch drive, for space. example, is a commercial prod-uct in photography. Zenith's recant move to use a 20 Mbyte disc was more of a protest against the amount of time it was taking to standardise

The difficulties faced by the 2-inch disc, however, have as much to do with its physical size as its capacity. While capacities of floppy discs are



more than doubling every few years, the change from one size of disc to another is much slower – as these involve a complete re-tooling of disc drive manufacturing facilities to handle the new drives.

It is for this reason that it took more than 10 years for the now-standard 5.25-inch floopy disc drive to supplant to old 8-inch drive - and why the seven-year-old 3.5-inch disc drive is only now starting to replace the 5.25-inch floopy disc drive.

Kao's Holloway explains that a great deal of co-opera-tion between competing com-panies is required to make

these technological strides these technological strates. "While we are right at the forefront of disc coating technology, we still have to wait for the hardware, head technology and disc drive," he says. "The mechanics of it are that hright idees. — whether herdware or media bosed. hardware or media based – are to some extent shared between media manufacturers. But we all work hand in hand. If we are developing 20 Mbyte floopy discs, we can't do that without the assistance of a floopy disc manufacturer who is able to share R&D drives and drive technology."

Geof Wheelwright

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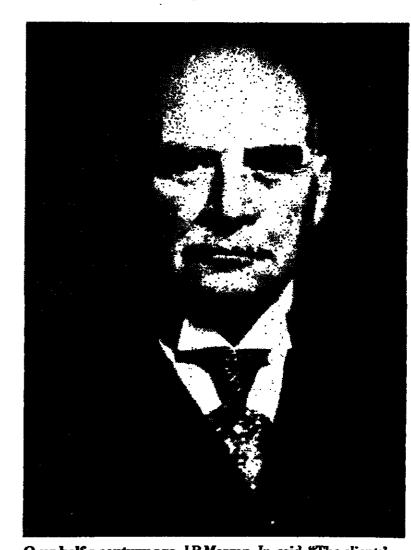
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#### **BUSINESS LAW**

## Cracking down on the computer hackers

SINCE August 29 1990, computer backing has been a criminal offence in the UK. The Computer Misuse Act 1990 brings the UK into line with Australia and a number of US states and follows reports by the Scottish and

English Law Commissions.

Computer users and suppliers have long been concerned that hackers could gain unau-thorised access to computer systems. At the very least, a hacker might undermine the commercial value of informa-tion stored on a system; at worst the act of backing could be the basis for fraud or theft or could cause damage to the computer itself.

The new legislation should help to maintain confidence in London as a leading centre for finance and international

Neither English common law nor statute provided sufficient protection against backing. This was demonstrated by the failure of the prosecution of two individuals who gained access to the British Telecom Prestel computer network in 1984 and 1985.

They were initially convicted of contravening the Forgery and Counterfeiting Act 1981 but the Court of Appeal quashed the conviction. The Court held that although forg-ery could include electronic methods of creating false information, the electronic impulses keyed in by the hackers were not a "false instrument".

The House of Lords con-firmed this and ruled that a device which recorded or stored information by electronic means could not be an "instrument" under the 1981 Act unless it preserved the information for an appreciable time. The momentary holding of customer identification numbers and passwords did not amount to an "instru-ment". These decisions indi-cated that the law needed

reform to make hacking a spe-

The fundamental difficulty English lawyers had with hacking was the lack of any law of privacy in the UK. If you walk into an open office, read a file, but do not copy it, and then leave without creatand then leave without creating any damage, you have committed no wrong except perhaps trespass which is not a criminal offence. Why should it be a criminal act when you "walk" into a computer instead "walk" into a computer ins

of an office? of an office?

The new Act is designed to protect the integrity of computer systems and not to create any new right in confidential information. The debate, both in and outside Parliament reflected dispersion. ment, reflected diverse atti-tudes. Some argued that every-one should be free to back into computer systems to test the security measures preventing access, which should be built in by computer suppliers.

Others pressed for legisla-tion which was sufficiently wide to include electronic wide to include electronic eavesdropping. This involves "listening" from a remote location to the radiation given off by a computer display terminal and recreating the messages displayed on the screen. This is no different conceptually from looking through a window from the building opposite with a pair of binoculars.

The Computer Misuse Act 1990 largely follows the recom-mendations put forward by the English Law Commission by treating relatively lightly those who only access the computer without authority, more seri-ously those who do so with a dishonest intent to commit a further crime and most severely those who, in the pro-cess, intentionally modify the

computer. puter material occurs if a per-son causes a computer to per-form any function with intent to secure access to a program

staff, without straining the payroll.

MERCER FRASER

WILLIAMM.

or data held in any computer, the access is unauthorised and he or she knows that it is unauthorised. The offence is punishable by a term of imprisonment of up to six mouths or

a fine of £2,000 or both. The aggravated offence is punishable on indictment by imprisonment for a term not exceeding five years, or an

mlimited fine, or both.

A person is guilty of unauthorised modification of computer material if he or she does puter material if he or she does any act causing an unauthor-ised modification of the con-tents of the computer, and at the time of the act intends to modify the contents of the computer without authority and so impair its operation or prevent or hinder access to any program or datum held in the computer. This offence is also punishable on indictment by a punishable on indictment by a prison term not exceeding five years, or an unlimited fine, or

the Act on the basis that most definitions would be liable to become out of date very rapidly as technology develops. Some US state laws refer to "computers or computer systems", and there is an argusystems", and there is an argument that hacking into a computer network (as opposed to a single computer) might not be caught. The courts will probably take a reasonably broad approach to the definition of a computer and will include within this a computer network.

"Program" and "data" are not defined in the Act except to say that they include items held in any removable storage medium (such as diskettes).

Modification of a computer's contents takes place if, by the operation of any function of the computer concerned, a pro-gram or datum is altered or erased or added to. This is aimed at the placing of "viruses" or "logic bombs" or "Traign horses" in a computer

work.

that is, something done to a program (which may well not be readily identifiable by the user) but which causes some-times irreparable damage not only to the program itself but possibly also to the operating system of the computer on which it is running. Under the Criminal Damage

Act 1971, damage to parts of computer systems might not be computer systems might not be considered criminal damage to "property of a tangible nature". One clear concern with backing is the territorial scope of the offence. A person using a personal computer and today's extensive international communications systems can back into a an English computer from Germany or into a US computer from England.

The Act in effect extends jurisdiction for hacking offences to permit prosecutions even when part of the offence was committed abroad, provided there is a significant UK link, which for the basic

tink, which for the basic offence means the accused or the computer was in the UK at the time. One surprising, and possibly unintended, consequence of the Act is that on a strict interpretation of the wording it may unnecessarily criminalise certain breaches of

When a software house licenses a software program to a supplier, it will usually pre-pare a list of restrictions on the operation of the software. For example, there may be a stipu-lation to limit its use to designated computers and/or at des-

ignated locations.

If the licensee then uses that program on a computer which is not covered by the licence, the licensee would be causing a computer to perform a func-tion with intent to secure access to the program, such access would be unauthorised and the licensee would know

These appear to be the circumstances necessary to con-

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stitute an offence under the Act. Arguably "unauthorised access" should relate to access to the computer, as opposed to the program, although the Act clearly refers to "access to a program or data".

Software suppliers may this see the Act as providing further protection for their intellectual property rights in addition to that provided already by copyright and the terms of their licence agreements. They may regard this as justified in view of their considerable. view of their considerable investment in developing software and the computer indus-try's general acceptance of the need for a high level of protec-tion for software.

Another interesting coass-

quence of the Act is that if a person walks uninvited, but without breaking any laws, into an office and uses a con-puter which is sitting on the deak without any physical lock or security code protecting its programs, this constitutes a

criminal offence. It would have been pos to draft legislation which required the computer to have some barrier to access which had to be breached in order for an offence to be committed. an offence to be committed.
This concept has, for example, been used in the New York law relating to hacking, but was not followed in the Act.

The only really contentious issue raised during the peasage of the Bill through Parliament was whether the police would have enfiliated to be committed.

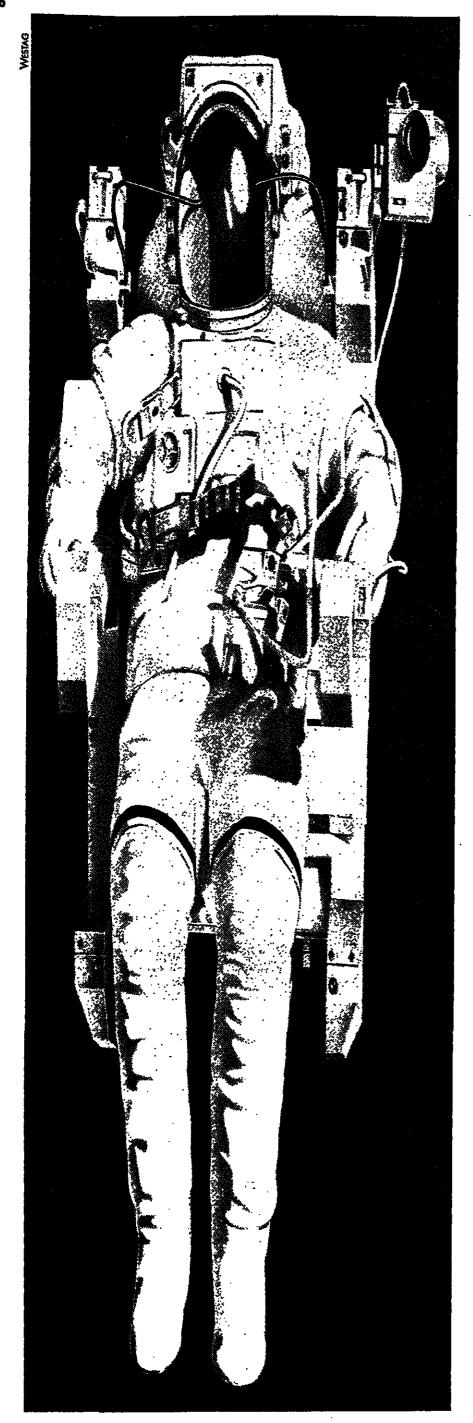
have sufficient powers to gather the evidence they needed to prosecute offences

under the Act.
However, the Act probably
does provide sufficiently clear-cut offences for prosecufully. Certainly in the US, hackers have been successfully hackers have been successfully prosecuted and fined or sent to

The author is a solicitor with City lawyers DJ Freeman & Ca.

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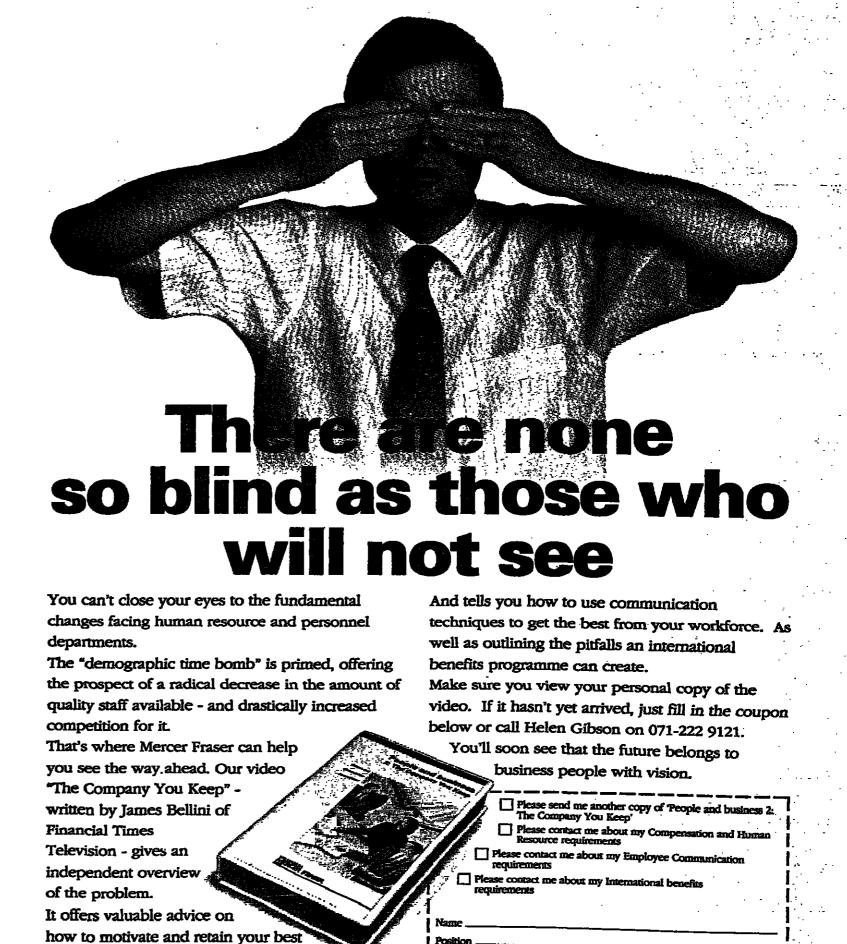
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with the verse is to take it at its face value in his harsh,

swingeing, powerful voice. The

the smothering of Claire Skin-ner's fairy-tale princess of a Desdemona is done with his

bare hand, not a pillow.

It all works - yes,indeed but very much in Ayckbourn's
terms. This is an Othello
reduced to its dramatic essen-

tials and compressed into a

swiftly moving avalanche of catastrophe by the curtailing of the text. It is all packed

neatly into the square-shaped Stephen Joseph arena with audience on the four sides, the

action revolving always around one central point in Michael Holt's design — a

statue, a tavern-table, a patio-

fountain spurting real water -and these items of stage furni-

ture move on and off, seemingly of their own volition

without interrupting the per-

An Ayckbourn production

on his home ground would not be complete without some

formance.

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## Communication problems

huge plaster angel, hoisted up to window level, seems reluctant to enter a young couple's New York loft apartment a sign, perhaps, for Sam and Molly (Patrick Swayze and Demi Moore) that their golden existence cannot last much longer. Soon Sam is dead, shot by a runging and middle Molley and statement of the same statement.

by a mugger, and while Molly grieves, he grieves too. If it is hard for the bereaved to let go. Ghost suggests, it is equally hard for the dead to say good bye. All the same, a love story in which one of the characters is deceased would be difficult to realise if Sam were not the sort of cheet. were not the sort of ghost, not really ready to die, who is caught between two worlds for a definite purpose. He soon dis-covers that in fact he has been nandered because he was on the verge of uncovering a man-sive computer swindle at the bank where he works — and Ghost stops being a mournful romance and turns into a thril-

The comedy and tension of the film depend on the premise that although Sam can go any-where and see anything, he cannot communicate with the living and he desperately needs to warn Molly that she is in demonstrating Patrick Supremi danger. Since Patrick Swayze is practically type cast as a corpse, and Demi Moore is given very little to do except look sad, it is fortunate that this dilemma introduces Whoopi Goldberg into the story as Oda Mae, a bogus medium whose genuine powers are unleashed by Sam. From this point everything - except Sam comes to life

Ghost has so little to say about the difficulty of letting go when someone has died, that Sam's death seems like little more than an excuse for some weak laughs when Oda Mae has conversations with someone who is invisible to everyone else. The plot could have served just as well as a more straightforward caper

GHOST Jerry Zucker

**BAD INFLUENCE** Curtis Hanson

THE PLOT AGAINST HARRY Michael Roemer

CADILLAC MAN Ronald Donaldson

> HARDWARE -Richard Stanley

movie, because the best part is the ruse that Sam and Oda Mae devise to reinstate the stolen money. Its mixture of spe-cial effect, scams, comedy and crai enect, scams, comeny and broken hearts, makes Ghost messy and over long. But Whoopi Goldberg's vitality, and Demi Moore's magical vulnerability, also make it entertaining and occasionally delightful.

It is necessary places where Alex.

It is never clear where Alex (Rob Lowe) comes from, and there is a hint of the supernat-ural about his role as outrageous alter ego to reserved young accountant Michael (James Spader) in Bad Influ-ence. In an apparently chance meeting Alex's hims on office politics transform wimpish Michael's career prospects. But what starts as a liberating experience is soon heading for increasingly dangerous ground, until Michael is com-pletely in Alex's control and pletely in Alex's control and murder becomes inevitable.

James Spader (sex, lies and videotape) and Rob Lowe (St Elmo's Fire) match strong and weak, good and evil in this thriller masquerading as an allegory — or may be that should be the other of anything. "I didn't make you do anything that wasn't in you already" Alex says when Michael gets scared. What happens when

fiance, drop out brother, pushy colleagues – had not been so stereotyped, Bad Influence might have seemed closer to real life and so considerably more disturbing, but it is still absorbing and not totally predictable.

They say the only two dependable things are death

and taxes, and that certainly seems to be true for the hero of The Plot Against Harry, a small time New York crook small time New York crock released from prison and unexpectedly embraced by the Jewish community he has ignored all his life. Martin Priest, who has the same doggy attractiveness as Yves Montand, plays Harry Plotnick as a man completely beffied by his return to freedom — his little numbers racket empire has gone, his new friendships are claustrophobic, no one ever stops talking or fund raising, and he has discovered he has a bad heart. Going straight might be better for his health, but even that is complicated by a past like his. like his. The Plot Against Harry did

not have a proper release when it was made in 1969. Maybe, shot in black and white, and dense with incident and char-acterisation, Michael Roemer's film seemed too exhausting to release in the same year as Goodbye Columbus. Whatever the process of the film has seen to the process of the same year as Goodbye Columbus. the reasons, the film has suf-fered remarkably little for its incarceration, and only the clothes seem out of date. Weddings, Bar Mitzvahs, charity events will go on forever, and the telethon where Harry's fate is decided for him seems no more embarrassing or old fash-ioned than the ones we watch now. Wryly humorous, affectionate and, like life, rather inconclusive, The Plot Against Harry is an unsentimental account of Jewish-American

Robin Williams is beset with problems too, in Cadillac Man. An exasperated ex-wife, a teen-



Whoopi Goldberg and Demi Moore in 'Ghost'

age daughter who has been out all night, too many demanding girifriends, a \$20,000 debt to the Mob - and he is about to lose his job as a car salesman. And that is all before he and a And that is all before he and a group of colleagues and customers are held at gunpoint by the deranged husband (Tim Robbins) of the showroom secretary. She seems to be the only woman he is not having an affair with, but with his reputation, he gets the blame anyway, and becomes the main hostage,

hostage. Robin Williams is a very gifted comedian, but his mate-rial as Joey O'Brien, based on his philandering and his sales-man's instincts, is unattrac-tive. Wearing a sharp suit and a moustache that shouts insin-cerity, his style interacts well with Robbins as the slow-witted Larry, who creates a hos-tage situation by accident, and does not know how to get out of it. But the whole situation is

ria rather than consestent com-edy, and the concept of Joey emerging as a nobler person from his experience is unitkely. Though it has a female cen-tral character, and was appar-ently very much the project of ently very much the project of producer Joanne Sellar, *Hard-*ware makes only a very confusing comment on woman's role in a post-nuclear future. If heroine Jill (Stacey Travis) had been a potter instead of an industrial metal sculptor, she would never have got into the mess she does. Why else would

riz rather than consistent com-

ing through the Bladerunner style landscape bringing her disjointed bits of an old robot for a Christmas present? Jill lives in a tower block fortress, never going out, because of the lawlessness on the streets and the sort of ruling regime that promotes "a clean break with procreation". But staying at home is not of it. But the whole situation is limited and limiting. The gen-eral effect is one of mass hyste-into a robot that is pro-

her boyfriend have come strid-

grammed to kill everyone in sight. Jill does a man's work. and is able to defend herself with the tools of her trade, drill and blowtorch - but she still needs men to rescue her, even though some of them are literally chopped in half in the

Probably none of this means anything much at all except as the necessary ingredients of one more of those cathartically one more of those cathartically violent horror films. Although the story is perfunctory, and mechanically told, director Richard Stanley and designer Joseph Bennett have exploited the dusky red light of a sky where the sun is always obscured, and the broken down high-tech scruffiness of a disinterestic scruffiness of a disinterestic scruffiness of a disinterestic scruffiness. tegrating society, to make a low-budget film that looks fan-tastic. Hardware is tense, atmospheric, and extremely gory, and fans of the genre will justly admire it.

Ann Totterdell

## **Othello**

Stephen Joseph Theatre, Scarborough tere nobility. Gambon's way

Sooner or later it had to happen. Alan Ayckbourn would have a go at Shake-speare. It happened on Tues-day night in the theatre at eloquence comes from his body language. Rarely can the Moor's epileptic fit have seemed so realistic. At the end Searborough where Ayckbourn has worked since 1957, and where the comic muse has reigned supreme for most of the time. That only makes it all the more piquant that the Shakespeare play Ayckbourn has chosen to direct there should be one of the tragedies

The choice of play was no doubt influenced by Ayck-bourn's close association with Michael Gambon. After the splendid series of performances Gambon has given in Ayck-bourn's own plays, and in Mill-er's View From the Bridge directed by him, it was clearly the moment, he and Ayckbourn must have felt, for Gam-bon to extend his range by out to extent the range by playing a Shakespearean hero. But I think there must also have been another reason for the choice, Othello is one of Shakespeare's most Ayckbournian plays. It shows through a series of absurd contrivances and misunderstandings what mayhem occurs when the dra-

maynem occurs when the dra-matic instinct is given a free rein outside of the theatre. Ayckbourn revels in improb-abilities of plot and is deeply committed to making them work. He makes them work here with his years! fluency here with his usual fluency, thanks especially to the dour lago of Ken Stott. His way of uttering treacheries and incitements is to make them sound like simple Scottish common sense. He is the strong man the rock on which everyone else founders, including the bald, coal-black Arabian-style Moor of Gambon. It is like watching some stately oriental galleon in full sail, golden pennants streaming in the Wind, splitting in half with the most almighty crack as the wood-work splinters. This is a performance of aus-

be complete without some laughs even in what is estensibly a tragedy. These occur before the tragic noose tightens. They come from of the open effrontery of this lago, particularly in by-play with Adam Godley's Roderigo who is given a succession of comic discusses, and oven in lago's disguises, and even in Iago's work on the toffee-nosed Casaio of Simon Dormandy. Much is made of the scene where he gets drunk, and much is made of that wretched handkerchief. Indeed every conceivable visual trick is pulled out from the text and trumped. What a good time we are all going to have when Ayckbourn and Gambon get round to doing one of Shakespeare's comedies

**Anthony Curtis** 

at Scarborough.

## Victoria Wood

STRAND THEATRE

Victoria Wood is a National Institution, as British as Dandelion and Baldock wine and Dr Scholl's Shoes, product she lovingly litanises in her sold out show Up West. She also digresses on DIY pregnancy testing kits; school reunious; wife swopping in the sundancy testing kits; school reunious; wife swopping in the sundancy testing kits; school reunious; wife swopping in the swopping in the tradition of Joyce Grenfell, enabling us to enjoy our follows with genfly disparaging those of the working classes.

What makes her the Victoria Wood is a National What makes her the national favourite is her own natural good hamour, That

natural good humour, That welcoming grin over a comfortable figure poses no threat. And just when the jokes get a hit relentless, when the anecdotes of contemporary living, most of which seam to revolve around shopping malls, start to wear you down Ms Wood can amble over to her big white piano and thamp out one of her wicked songs.

The charm is that she very rarely takes leave of reality. As she builds on her adventures while buying and using a pregnancy testing kit (an adventure which threatens to last nine months) every mis-

last nine months) every mishap and detour could just about happen. Her world is set in the familiar landscape of Benettons and Tescos, pizza periours and chemist shops. Her characters come from the TV sosps and tabloids, I can't imagine what any Americans

in the house made of it of jokes like "what do you get if you cross Kylle Minogue with Mussolini: Anne Diamond", but they would probably have been carried along by the

you relax your conscience for a while seems too appalling to think about. If the peripheral

been carried along by the storm of larghter.
Victoria Wood is culminating a national tour in the West End and has written some new material to set the scene. She is particularly funny about her neighbour in the next door theatre, Joan Collins, asking us not to clap too loud in case we upset Joan and assuring us that the continued by the producer wanted a cophisticated hig name actor to ster alongside Ms Collins in Private Lives but that Albert Tatlock was dead.

There are appearances from an obese roadle and Beverley's mane friend, characters that Victoria Wood is developing into welcome personalities, but this is basically Ms Wood at full throttie. By the end my loud laughs had subsided to an inane grin. So assured is Victoria Wood, so at home with her territory, that more fibre could now be added. She has a poignant strain to be exploited, particularly in the songs, a knowledge of human finities that could temper the humour. As she finished on her party piece "Lets do it", the laughter came but it was the easy acceptance of an old joke. Its time for Victoria Wood to scale another peak.

signist collections mannerly in the Jeu de Paume, 1 rue Belle-chasse (45494814). Closed Mon. Picases Museum. The restored 17th century Hotel Sale, provides a fitting home for the world's largest collection of Picasso's seeds (49713431).

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Martigny

## Auber's 'Manon Lescaut' in Paris

The Opera-Comique, independent once again with its own management and its own budget, has been playing host to a company formed three ways of the playing host three years ago by Pierre Jour-dan, the Théâtre Français de la dan, the Theatre Francas de la Musique. This enterprise, based on Complègne, where they are restoring the Imperial Theatre built by Napoléon III for the royal palace, aims to revive neglected French operas, using present-day theatrical methods to attract younger and broader-based younger and broader-based audiences (have we heard that shocking. Were Second Empire audiences less conventional before?). Their choice has now than their republican succesfallen on the forgotten Manon Lescout of the once tremendously popular Auber, for many years a regular, depend-able source of a stream of grand operas, comic operas and ballets, now remember mainly by La Muette de Portici, by Fra

Diavolo, and in Paris by a Métro station and a street, both near the Opera. Manon Lescaut was a late work, produced at the Opéra-Comique in 1856, when the composer was over 70 and his favourite collaborator Scribe, who based his text loosely on Prévost's novel, not much younger. Their age doesn't show. This is a begulling work even if the streak of genuine compassion was not strong enough to stand up to the for-midable competition from Masa sessy acceptance of an old ke. Its time for Victoria cod to scale another peak.

Antony Thorncroft

Antony Thorncroft

ter duet" for Manon and Mar-guerite, to take only one exam-ple, is a gem. Though long overshadowed, Auber's version has not been entirely over-looked. The French EMI recording with Mady Mesplé in the title role has been re-issued on CD (7632522). This Opéra-Comique with spoken dialogue not only has a tragic end but Manon dies on stage - 20 years later a similar situation Carmen was considered

The combination for this revival of Patrick Fourniller. one of the most gifted of the younger French conductors and the controversial producer David Freeman of Opera Factory, was potentially exciting. The score could hardly have been more incisively or sympathetically played by Fournillier and the lively Orchestra of Picardy, which also calls itself "Sinfonietta". As for the production, strange manoeuvres on stage during the overture, with male characters dancing with tailor's dummles or manikins (the first scene shows Manon in her garret being urged to sew for a living), their evolutions bearing no relation to the delightful music, aroused suspicions. Fears were confirmed in the second act finale, after Des Grieux, having joined the army to raise some badly-needed cash and has

goes one further and wounds Manon's protector d'Hérigny, his Colonel. At this point Death figures in the form of ladies with black masks like butterfly spectacles prowl the stage while more manikins pop up among the chorus. In the last, Louisiana, act

anti-colonialism is plastered on, with prisoners trudging round and round in a circle, scourgings and cloutings and the air steamy with hatred. Superficially effective - the result it seems of two month's intensive rehearsal - but undermining rather than underlining the lightw not unfeeling music. Similarly in the last scene Manon's death agonies in the desert are gratu-itously prolonged by mime during the expressive but not expressionist orchestral introduction. I have a feeling that the manikins were there again at the end — brought by ship all the way to Louisiana? David Roger's set, a low,

glaring, white semi-circle against a black background, kills the well-made costumes and, sbetted by some Brechtian white lighting, has a curiously congealing effect in the Paris scenes. Here even in Bancularia celln's restaurant there is no sense of urban liveliness. Klizabeth Vidal is as pretty a Manon as one can hope to see. More-over she is a clean, supple high soprano without soubrette glassiness. The once popular "Bourbonnaise" laughing-song chez Bancelin was advoitly flung off. On the Sunday mati-

née, the day after the first night, Miss Vidal tired during the second act but recovered later. The role is cruelly exacting - Marie Cabel, the first Manon, an artist much admired by Meyerbeer among

admired by Meyerbeer among others, must have been as tough as she was gifted.

Matching singers physically to roles, one of the company's guidelines, paid off in Manon's case. All the others looked their parts, not all of them sang them well. Alain Gabriel's Des Crieny in among arone was Des Grieux in appearance was absolutely right but he strained at the music. It isn't much of a part - Appler allows no tenor solo, Michel Philippe was a rough-toned d'Hérigny at other performances the role is sung by René Massis, As brother Lescaut, André Cognet made much of little. Margue-rite, Manon's friend from Paris whom by Scribean coincidence she rejoins in Louisiana, was

the charmingly Brigitte Lafon. Freeman has adapted Scribe's libretto. The remainscribe's horero. The remaining dialogue was moderately well managed. "One should sing as one speaks" they say in a rather pretentious hand-out containing superior remarks about Italian operatic singing. That depends, surely, on how one speaks. And as far as the singing was concerned, better singing was concerned, better diction all round would help. I don't recall any difficulty in hearing words in this theatre in the past. Have they raised the orchestra pit?

Ronald Crichton

#### EVERYMAN THEATRE, LIVERPOOL the rough side by Ben Thomas; after all, one of his main com-plaints is that he has been kept

As You Like It

The great grassy, tree-studded oval within the seats of the auditorium is a useful Forest

of Arden, and the designer, Elizabeth Ascroft, makes it also Oliver's house and Duke Frederick's palace. It doesn't much matter which, for the events it encloses, though they are pretty well the story of As You Like It, are clearly meant, under John Doyle's direction, to suggest an air of spontaneity. You never know where the characters will next appear from; they may even be sitting in the seat next to yours. Indeed you may not know e characters they do come on, for the versatile ten-strong cast wear what is basically modern English

dress, interpreted as casually as by any young person celebrating something at Stone-henge. Oliver (Mike Afford), plump and well-bred, wears a double-breasted lounge suit; Charles the wrestler (Robert Beach) has a black IRA mask; Touchstone (Peter Russell) has a crumpled suit below his jester's cap; Jacques (a lady, Susan Jane Tanner) makes her first appearance in a black tailcoat, just the thing for an open-air wrestling match. You must rely on the dialogue to identify the people.

It is all good fun, and Shake-

speare's story is followed in reasonably complete detail. The casualty is the acting. Susan Curnow is a handsome Rosalind, as boyish a Ganymede as Shakespeare allows. I specially liked her practical interpretation of the epilogue. Phyllida Hancock's Celia is at first rather overbearing, and sometimes speaks so fast that I could not follow her words.
Orlando is rightly played on

away from the court. He is popstyle sentimental when be woos Ganymede, whom, after all, he thinks is a boy, but gen-uinely kind to Adam. But Adam has the same gen-

der trouble as Jacques; he je a lady, Stephanie Jacob, with black hair suggesting 18 rather than 80 years. She is far more convincing as Audrey. Of the countrywomen, Joy Blake-man's Phebe is the most touching, her brisk love for Gany-mede turning truthfully to a better-than-nothing relationship with Silvius.

She does well, for Silvius is Robert Beach, a wrestler in his other life, and a fine singer who among other things is effectively given Hymen's lines at the universal marriage

Oliver and Rosalind speak their lines nearest the way I like to hear them. Touchstone isn't funny enough; once he has doffed his cap he is hardly a jester at all. And Jacques is altogether too monotonous, both in "I met a fool i' the forest" and "All the world's a stage." She speaks them like radio news-bulletins. The joy in this production (which in this production (which delighted a full house) is the general sense of open-air enjoy-ment, and the speaking may well improve.

The music, by Graeme Du Fresne (who plays both Dukes) is just right, tuneful and rhythmic, mostly set for solo voice with guitar and flute, occasionally trumpet, then blossoming into four parts.

B.A. Young

#### ARTS GUIDE

**EXHIBITIONS** 

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Royal Academy of Arts. Monet in the size: The Series Paintings. The long awaited blockbuster exhibition has opened in London sending reviewers scurrying to explain the artist's double vision. Burlington House, Piccadilly (197 9579). Buringgon Labors, (287 9579). Rayward Gallery. Eduardo Chil-lida. Major retrospective of the Spanish scriptur (261 0127).

Marmotten's Monets. For lovers Marmottan's Moneta. For lovers of impressionism, the Musée Marmottan is a must. A charming town house set in greenery, it houses an important collection of paintings and drawings by Claude Monet and his friends. Musée Marmottan, 2 rue Louis-Ruilly, Closed Mon.
Grand Palais, Blemale Internationale des Antiquaires. Under
the sign of Love in Art, 150 antique dealers, both French antique deslers, both resuch and foreign, cover a wide range of periods and styles and present their prestigious exhibits in a mise en some evoking the splen-dour of the 18th century. Buds

Oct 7.
Louvre, Euphronics, Some 60
objects, craters, amphoras and
bowls testify to the art of
Euphronics, painter and potter
in the 6th century BC in Atheus, in mastering the technique of red figures on black background. Open from 12am to 10pm. Closed Open from pain to tolan. Coosed True. (40205186).
Galarie du Carronnel. 19th century French masters. 11, quai voltaire (42611075). Closed Sun

Grand Palsis, Picasso. A portrait 

of Jacqueline Picasso with har hands crossed round her knees is the symbol and the caniral point of an exhibition of 47 paintings, two sculptures, 40 drawings, 24 shetchhooks, 19 caramics and 247 engravings and lithographs. Chosed Tue, Wed late closing.

Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tullacies gardens within the metallic structure and the glass-rooted want of the vast Belle Epoque railway station. It houses paintings, sculptures, objets d'art and photographs from the end of the romantic period to the beginnings of modern art and the Impressionist and post-Impressionist collections formerly in the Jeu de Paume. 1 rue Belle-Palais des Beaux-Aris. 5 million years: The Human Adventure. Man's evolution seen through 200 Palacntological exhibits. Musée d'Art Moderne, Place Royale. The Goldschmidt Collecti of Modern paintings recently left to the museum is on view in its entirety for the first time. Works by Braque, Chagall, Hock-ney, Klee, Miro and others.

Closed Mon.
Musées Royaux d'Art et d'Histoire. Inca-Peru an exhibition
that traces the evolution and decline of the Inca culture through 450 artefacts. Closed

Fundacion Miro. Joseph Benys. Some 130 drawings on the theme of oriental philosophy in an interchange with the Keftner Gesellschaft in Hanover. Closed

Palazzo Grazzi. From Van Gogh to Picasso – from Kandinsky to Pollock. Opening with Picas-so's 1981 Woman with Yellow Heir and closing with Fernand Leger's 1950 Builders with Rope, this exhibition provides a truly delightful canter through modern art from the late 1870s

onwards. Palazzo Ducale. Titlan. This realized pointly by the Venice local council, the Arts Ministry and the National Gal-lery in Washington, marking the 5th centenary of the painter's birth, is the largest for over 50 Disseldorf

Kunstmuseum, Ehrenhof 5. Con-rad Feltzmueller. Around 80 paintings, 90 watercolours, drawngs, 40 prints as well as five lastics by the expressionist

killed a superior officer, he

Jüdisches Museum, Untermain-kai 14/15. Expressionism and Exile from the most important private collection of Ludwig and Rosy Fisher, 117 paintings are exhibited. Among the artists are Kirchner, Heckel, Noide and Musiler, Until October 10.

Hanover

Sprengel Museum. Kaethe Koll-witz (1867-1945). Eleven plastics. 70 paintings 70 prints of the polit-ically radical artist.

Museum Folkwang: Vincent Van Gogh and Modern Art. On the death, this exhibition aims to display his influence on Eurodisplay his influence on Euro-pean modern art. Goethestrasse 414300, Essen 1. Villa Huegal 15. St Petersburg around 1800. With 555 pieces on loen from Leningrad's state Her-mitage Museum, the exhibition details the developments of Rus-sia from a great empire to a

European power. St Petersburg
was the residence of Peter the
Great and acted as an intermediary between east and west. The
exhibition covers the period from the 18th to the 19th century of Tsars Paul I (1796-1801) and Alexthe political, intellectual and economic centre of Russia. This unique show gives a clear, varie-gated view of the historical importance of the period of the Russian empira, with paintings, furniture, sculptures, costumes and novolatin.

Beriin

Martin-Gropius-Bau, Strese-mannstrasse 110. Bismarck's Prussia, Germany and Europe. Prussia, Germany and Europe.
This exhibition in Berlin will
be the first organised by the German History Museum, with
around 1,000 pieces on loan from
250 different museums from all
over Europe and the US. Otto von Bismarck, born 175 years ago in Schoenhausen, was the

German Imperial Chancellor and Prussia's premier before he was sacked by the young Kaiser Wil-helm II 100 years ago. The cur-rent political changes in Europe, particularly in East Germany. underline the importance of this exhibition, which also attempts to explain what happened after the revolution of 1848, An accompanying programme includes literature, music performances, films and video.

New York

Brooklyn Museum, From pastoral landscapes to moonstruck mature fantasies, this compre-hensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American

Washington

National Gallery. Artistic dividends of the end of the cold war

continue with a comprehensive show of Suprematist Kasimir Malevich and his Soviet contem poraries with works never before lent by the Soviet Union.

Chicago

September 28-October 4

Chicago Historical Society. A House Divided, America in the Age of Lincoln. Documents, mementos and personal effects of the Great Emancipator. Art Institute. The Russian Taste for French Painting is a tribute to the cultural impact of improved Soviet-American rela-tions with its French mastertions with its French master-places borrowed from the Her-mitage and Pushkin Museums. Works from Poussin to Matisse include Manet, Renoir, Cezanne and Gauguin.

Tokyo

Hara Museum, Hara Annual 10. Hara museum. Hara Annual 10.

Since its establishment 10 years
ago, this museum has held an
annual show of young and
amerging Japanese artists — a
good opportunity to observe new
developments and directions
in Japanese art in Japanese art. Bunkamura, the Museum. Dante

Gabriel Rosetti. For some reason, the pre-Raphaelites appeal to the Japanese sensibility, so this exhibition of some 120 paintings and drawings is likely to prove popular. Setagaya Museum. British Art

Now. 16 artists are represented, including David Mach who came especially to Japan to install a three-dimensional seascape made from 30 tons of old maga-zines. Closed Mon.

Arts Council calls for a £14m boost

The Arts Council released its annual report for 1989-90 yes-terday and forecast sunshine and showers for the arts in the UK. While chairman Mr Peter Palumbo held to his line that the country is experiencing an artistic Renaissance his secreartistic Renaissance his secre-tary general Mr Anthony Everitt spelt out the horrendous problems facing arts institu-

He appealed to the Govern-ment for a £14m boost to its arts expenditure budget for next year. The proposed grant increase for 1990-91 is just 2.5 per cent, to £183m., a sum fixed when inflation was expected to be under 6 per cent in 1990. With inflation at over 10 per cent arts organisations are

building up massive deficits. In all Arts Council clients are fac-ing a combined shortfall by the mg a combined shortfall by the end of the year of £17m, of which £10m is accounted for by the Big Four national companies, the Royal Opera House, the RSC, ENO, and the National Theatre.

The ROH alone has a deficit

approaching 25m. The Arts Council has given it three years to eliminate it. It is offer-ing its other clients a similar discretion. Meantime discus-sions continue with the new Minister for the Arts, Mr David Mellor, for the extra money to stave off a succession of shut downs throughout the land.

**Antony Thorncroft** 

#### SALEROOM

Christie's yesterday started to dispose of one of the great American book collections of the 20th century - that of Mr Franklin Kissner, who died in 1988. The sale, which continues today and Friday, is devoted to books on Rome, a city which Kissner loved and where he had an anartment.

The morning session brought in £747,241, with over 99 per cent sold. As usual with book sales Christie's had under

estimated demand: its forecast for the entire auction was around film, a sum which will be far exceeded.

Maggs paid £77,000, double the estimate, for a copy of Sir William Hamilton's (husband of Nelson's Emma) index of his collection of classical antiquities, beautifully illustrated and bound by Pierre d'Hancarville. It sold for £800 at Christie's in 1965 and £5,200 at Sotheby's in

#### **FINANCIAL TIMES**

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## Africa's gains and losses

FOR THE world's poorest countries, most of them in Africa, the impact of the Gulf crisis on fuel prices could create the ripple that drowns the proverbial man already up to his nose in water. But all is not lost. Nigeria, for example, has

been thrown a lifebelt. For the oil importers, the shock could not have come at a worse time. The structural adjustment programmes adopted by more and more African governments will be put at risk and precarious administrations undermined. administrations undermined.

A two-fold response from industrialised countries is called for. First, there should be a reappraisal of the performance targets set under existing adjustment programmes, which will now be difficult to reach. This should be accompanied by a sympathetic response to requests for a shift from project-linked aid to short-term balance of payments support. Second, there should be greater urgency in the search for ways to ease the external debt burden. At the same time. assistance must remain linked to the introduction - or continued implementation of -

Fortunately one of the life-belts that will be needed was being prepared before the Gulf

The debt relief proposals, unveiled in Trinidad last month by Mr John Major,the British chancellor of the exchequer, represent a substantial step towards resolving the blem of an external debt which has become unmana ble for many countries.

#### Important advance

The proposals are an important advance on the Toronto terms drawn up by the Group of Seven in 1988. The whole stock of eligible Paris Club debt would be rescheduled in one round, rather than in tranches; debt relief would be doubled, to two-thirds of the sum outstanding; interest would be capitalised, with no payments required during the

first five years; and repayment periods would be 25 years. This package should be given the immediate backing of the G7 governments, to allow debtor governments to take advantage of it without delay. But not all the news out of

Africa is bad. Nigeria, home to about a quarter of sub-Saharan Africa's population, is enjoying a windfall which could boost the country's recovery pro gramme: provided, that is, President Ibrahim Babangida and his administration heed the lessons from the past.

#### Mismanaged projects Billions of dollars earned

from the high oil prices of the 1970s were squandered on mismanaged or III-conceived projects, or siphoned into private accounts abroad; meanwhile, the agricultural sector was rmined by artificially high exchange rates. Export crops became uncompetitive on

world markets; imported foods

- rice and wheat - were
cheaper than local staples.
At their peak in 1980, oil
receipts were \$25bn. They
plummeted to about \$5bn in
1988, while Nigeria's external now standing at about

\$34bn, was soaring.
Some relief is at hand. The budget for 1990 assumed an average price for the year of \$16 for Nigeria's daily produc-tion of some 1.6m barrels of oil. Production is currently about 1.9m b/d and prices have approached \$40 per barrel.

The resultant windfall could well prove a mixed blessing for Nigeria, unless creditors, nors and government reach broad agreement on how it should be spent.

Justifiably, creditors will argue for tougher terms at debt rescheduling negotiations, while donors will want to divert resources to Africa's non-oil exporters. For its part Nigeria needs to convince creditors that while some of the windfall can go on debt repayment, the bulk should (and will) be spent, honestly and iously, on the structural adiustment programme

Given Nigerla's record of profligacy, mismanagement and corruption, it will be difficult either to convince sceptics of its good intentions, or to put them into practice. But Nigeria has a last chance, one that must be seized, not merely in its own interest but in those of rest of the continent. If the economic recovery programme falls in one of Africa's most richly endowed states, donors will be tempted to write much

## Accounting under scrutiny

THIS IS the stage of the economic cycle when people become worried about accounting standards. The worry always comes too late. During the past eight years of expan-sion, the mistakes and misdeeds that should have been caught by more rigorous accounting standards have been hidden. Almost any busi-nessman could sell his deals in these circumstances. But now the climate is becoming much harsher and the calls for improved standards are being

heard again.

The UK accounting profession should be reappraising the way it sets standards. Fortunately, it is. At the end of July this year, the Accounting Stan-dards Committee passed into oblivion and was replaced by a Financial Reporting Council and its subsidiary bodies, the Accounting Standards Board and Review Panel. The new regime has a great deal more power than its predecessor and can go to the courts to force companies to adjust their accounts and fine the directors of companies which fail to comply with its rulings.

Lax accounting alone cannot

propel a large company into bankruptcy, but it has cer-tainly played its part in a number of recent corporate failures. The most notable example is that of British & Commonwealth, dragged under as a result of problems at Atlantic Computers, its leasing subsidiary. It is also probable that accounting influenced the management decisions which led to the downfall of Sock Shop, Parkfield and Coloroll,

#### Neutral view

Accounting is supposed to provide a neutral representa-tion of economic reality, but in many cases it seems to have acted as a catalyst to impru-dent business activity, with disastrous consequences once business conditions turned down. Deals have been done, acquisitions consummated and financing structures established, which made sense in terms of the customary presen-tation of profits, but ultimately put an insupportable strain on

the business There have been times when accounts have appeared more like public relations documents

auditors acting in the interests of shareholders. Certainly, the number of times when a set of accounts has brought public attention to impending disaster has been remarkably few.

This is not surprising. The Accounting Standards Commit-tee had such little power and its activities were hamstrung by the politics of the UK's six rival professional accountancy bodies, all of which had to approve accounting rules before they took effect as fullyaccounting practice (SSAP). Despite this, it tried hard in its final years to tackle some of the more widespread abuses.

#### Exposure drafts

It put out 10 exposure drafts between April 1989 and July 1990, which tackled (among other things) accounting for merger and acquisitions, for goodwill, for intangible assets such as brands, for off-balance sheet finance and for fixed assets and revaluations. It also issued a full SSAP on accounting for pension costs, an area which had hitherto given much scope for the manipula-tion of profits, and a draft document requiring companies to produce cash-flow statements rather than the less-informa-tive statement of the source and application of funds.

The Accounting Standards Board has grandiose ideas about establishing a theoretiabout establishing a theoreti-cal basis for accounting and revamping the balance sheet. Both of these are noble aims, but the Board should start by implementing as much of the Committee's legacy as it can, as soon as it can. The sooner, for everyple that companies for example, that companies produce cash-flow statements,

The Board cannot do any thing about abuses perpetrated by companies long ago, but it should take advantage of the lull in mergers and acquisi-tions activity to get a portfolio of authoritative standards into place. What is more, it should ensure that those standards are effectively implemented even after the present difficul-ties are over. Only then will accountants have done their job and thereby reduced the number of unpleasant sur-

prises the next time round.

ny spate of strikes in the past three years has called forth comparisons with the Winter of Discontent of 1979, and talk of recession inevitably suggests comparisons with 1979-81. But just as the past decade has seen a transforma-tion in trade union power, so industry has experienced its own metamorphosis. Its performance in 1979-81 could turn

out to be a poor guide to its prospects in 1990. It is almost certain that any recession this year will differ markedly from the earlier downturn. In those early downturn. In those early Thatcher years structural changes were set in train that mean British industry is in very different shape today. Those changes — stretching from the growth of small companies, to privatisation and the increase in foreign ownership of British industry — make important differences to how a recession would affect industry.

On balance, industry's abil-ity to withstand any recession should be better than it was 10 years ago. In addition, the structural changes would alter the way the costs of a downturn are shared out.

The most important shift is that manufacturing has become less significant in the economy, particularly as a source of employment. Employment in financial services rose by more than 50 per cent in the past decade, and by more than a third in leisure industries. The service sector will bear more of the brunt in 1990 than it did in 1980. Despite this shift, industry's

performance, particularly in internationally competitive markets, remains important. Several factors that have emerged since 1980 will prove Industry enters this difficult

economic period buoyed by its recent strong performance Although non-oil company profits rose strongly in the two years before the onset of recession in 1979, profits in the 1970s were generally lower than they have been in the 1960s. This improved profitability should provide more of cushion for Financial deregulation has

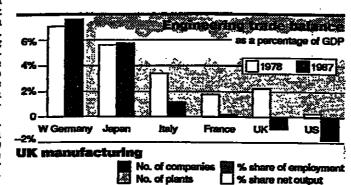
altered the interaction of financial markets and industry in the 1980s. This is one factor behind the sharp growth in the total UK corporate sector's financial deficit to £24bn last year, as companies have bor-rowed, rather than raised new equity, to finance investo and acquisitions. Heavily-indebted companies, such as the Cookson Group, the chemicals concern which has seen its share price fall steadily this year, and Maxwell Comm cation Corporation, which plans \$1bn of disposals ed to reduce its debt, will be under pressure to cut Small companies account

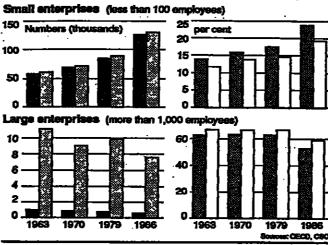
for a larger share of manufac-turing output and employment than in the late 1970s, as the chart shows. This is a marked hit large manufacturing com-panies particularly hard. The smaller companies of 1990 may be more agile and flexible than the lumbering industrial com-bines of the 1970s.

But they have other weak-sesses which could be exposed. Many small companies are more dependent on borrowing

Charles Leadbeater on the response of industry to the downturn

## Why 1990 is not 1979





than large companies. Smaller companies tend to rely more on the UK market. For many small companies this year will be the first test of whether they have the management depth to cope with recession. A high share of the corporate casualties of recession will therefore be among smaller rather than larger companies.

Linked to the growth of small companies has been a

move towards smaller manu-

facturing plants, in a reversal of the trend of the previous 30 years. In the past decade the share of the manufacturing workforce employed in plants with more than 1,500 workers fell from about 33 per cent in 1979 to close to a fifth in the last years of the 1980s. Job losses involving between 50 and 150 people will characterise any recession in 1990-91.

• A significant share of the non-oil industrial sector has en privatised since the end of the last recession. The switch from oversight by gov-ernment to the different discipline of satisfying the City's may alter the response of some large employers such as Brit-ish Telecom and British Gas.

During the recession of the early 1980s employment at the then nationalised corporations was relatively stable compared with the redundancies which swept through manufacturing. This time it will be different.

British Telecom and British Petroleum have already announced programmes which will lead to thousands of job s, which represent in both companies' long transformation into commercial enterprises. But the tougher economic climate will force privatised companies to cut costs. British Steel, for instance, is slimming its 55,000-strong workforce by a further 2,000 jobs over the next couple

of years.

If employment at privatised more companies may prove more vulnerable than it was under public ownership, the effect on investment may be the oppo-site. Most privatised companies are more profitable and have a wider range of options to fund investment than they had as public corporations. Senior executives at privatised compa-nies say the City takes a longer-term view of investment than Whitehall. As a result, investment may hold up better 1990 than at the nationalised The sharp growth in foreign

investment in UK manufactur-ing in the 1980s may buttress industry. Investment in Britain by foreign-owned companies has jumped from an average of £3.5bn a year in the early 1980s to more than £20bn a year at the end of the decade, A fifth of the UK manufacturing production is owned or controlled by foreign groups.

There are two positions on

how the growth in foreign ownership could affect industry. The pessimists argue that foreign ownership leaves UK industry more exposed, because corporations based in Detroit or Tokyo will have few qualms about closing branch plants in the UK. The optimists argue that the higher level of foreign investment has been matched by an improvement in

ins quarry.

Mr Ewan Peters of the Scot-tish Development Agency says:

"Most foreign-owned electron-ics plants in Scotland are part of a larger European corporate strategy which will not be put at risk by a localised downturn in the UK."

 Many British companies have internationalised their operations in the past 10 years. A decade ago well over 50 per ent of the earnings of the top 20 UK engineering groups came from the UK. This year the figure is close to 40 per cent. This means there will be an international contribution to the performance of many leading UK manufacturers. Foreign activities may compen-sate for weak earnings in the UK. Equally there could be an international dimension to cost-cutting which was previ-

Mr ian Godden, a director of Outram Cullinan and Com-pany, the management consultancy, says: "Companies will have to look at cutting costs through rationalising produc-tion internationally not just in

• Finally, any recession will be a test of the fashionable corporate strategies of the 1980s. Companies which remain heavily dependent on the UK and groups which have bor-rowed heavily to finance acqui-sitions are likely to be the least

It is equally clear that companies such as Hawker Sidde-ley, the diversified engineering group, which escaped rationalisation a decade ago, will this time come under pressure to slim down to a more manage-able range of activities. But perhaps the most inter-

esting question hangs over companies which have already concentrated on a small set of "core" businesses where they have international competitive

A striking example is TI, the engineering group. In the past seven years it has shed bicycle manufacture, machine tools, suspension systems and domestic appliances to concentrate on seals, tubes and specialised engineering. This was accompanied by an interna-tionalisation of its manufacturing and sales which means it now earns only 15 per cent of its turnover in the UK. As a result TI will be in a better position to withstand a UK downturn.

Yet there are inherent risks in this widespread strategy of paring businesses down to their so-called "core." In some cases the fashion for concen-trating on a small set of such es is just a disguise for companies' failure to compete across a wide range of products. Mr Donald Fraser, industrial director of the National Reconomic Development Office says: "The trouble is that many British companies now only have their cores, they have little else to lose."

## **BOOK REVIEW**

## Germany's responsibility

A bit of a cheat, this book published yesterday. Short though it is, it is not a new essay but a collec-tion of Ginter Grass's writings and speeches on the German Question, some of them dating from the 1960s and the most recent from early 1990.

Pity. An essay of this length setting out the case against German reunification would have been worth having, especially from a German pen. Per-hans even more worth having now would be an essay advis-ing us — the non-German Europeans — what, if any-thing, we should do about it now that it has happened better haps Grass will provide that in due course. Meanwhile, we should at least consider his argument, even in this frag-mented and repetitive form. It can be summed up in one word: "Auschwitz". We did not

need Grass to make us think of it, but perhaps we do need him to make sure we go on thinking of it. Of course it would be much nicer not to think about Auschwitz, and there are plenty of sane people urging us to do so. Isn't it unhealthy to go on dredging up the past? Shouldn't we work together to

build the future? I believe we should, but Grass is right to insist that we cannot do it by behaving as if Anschwitz were a mere historical fact. He says: "The men strous phenomenon for which Auschwitz stands remains beyond facts and figures, beyond the cushioning aca-demic study, a thing inaccessible to any confession of guilt." He is quite right to say that "anyone thinking about Germany these days and looking for an answer to the German Question must include Auschwitz in his thoughts", and he may also be right that "by

themselves, not Prussia, not Bavaria, not even Austria could have developed the methodology and the will for organised genocide and imple-mented it: it had to be all of Germany." But it did not fol-low, as he believed, that "that place of terror, that perma wound, makes a future unified German state impossible". Nor is it true, as he asserts, that "if such a state is nevertheless insisted upon, it will be doomed to failure."

- What Grass does not notice is that by adopting this mechanistic argument he repeats precisely the error for which he and others have rightly criticised the Germans of the past: he shifts responsibility away from the individual citizen and on to the state, or the particuhar name and shape the state happens to take. Yet the general thrust of his argument goes in the opposite direction: it is aimed at demystifying the state. Why this obsession with political unity?, he asks his countrymen. Why not be satis-fied with cultural unity? Don't the greatest German cultural achievements date from a period when Germany was

TWO STATES -ONE NATION? The case against German reunification . By Ginter Grass

Secker and Warburg, £3.99, 123 p politically disunited? The answer is yes, but there is no necessary causal connection either way. It is up to the Ger-mans whether having a single German state turns them into criminals. There, is no good reason why it should do so, and to imply that there is is dangerous because it encourages them to duck the question of individual responsibility, which is precisely where things went wrong before. Grass's other mistake was to

believe or hope that Germany's neighbours would put their foot down" to prevent German mity, and to think that the Austrian solution provided a usable precedent. The point about Austria is its name, which is not Germany. The Austrians accepted the sepa-rateness imposed on them affer 1945 because it offered them a way of not being Germans. Whether this was a good thing is debatable. Many would say that it let Austrians avoid taking their share of responsibility for Auschwitz, and that a Germany which elects Richard von Weizsäcker as president is preferable to an Austria which elects Kurt Waldheim.

But in any case the chance for an "Austrian" solution in other parts of Germany - if there ever was one - was missed in the Spring of 1945, when Stalin and the western Allies both decided, separately but simultaneously, to abandon their previously pro-claimed objective of German "dismemberment", each fearing that the other would "play the German card". Had they ated Bavaria, Prussia, Saxony and so on as separate states, and perhaps Germans would have gladly buried their German political identity under those names. Instead, the Allies at Potsdam pledged themselves to rebuild a single German state, and each side subsequently accused the other of preventing this from happening. The two states which came into existence in 1949 were both called Germany. national or even regional iden-tity but a difference of political and economic system. When one of those systems revealed itself in 1989 as wholly bank-Germany's neighbours to think from coming together under one system and one state. Since the system that prevailed was democracy, and the state that prevailed a federal one. things look more hopeful, at least from outside, than Günter Grass seems willing to allow.

**Edward Mortimer** 

#### GEC's new blood

■ The relationship between minant chief executive and the non-executive directo on his board is the subject of much lively discussion these

days. Inevitably the new appointments to the board of GEC raise the question of whether the strengthened group of non-executive directors could conceivably cramp the style of the company's long time man-aging director, Lord Wein-

Joining Sir Ronald Grierson, Lord Catto, Sebastian de Fer-ranti, Lord Rees-Mogg, and Derek Roberts, are two outsid-ers from very different back-

Andre Giraud, the former French defence secretary, who previously was chairman of the French Atomic Energy Commissariat for 8 years, is a great catch. His arrival underlines the GEC commit-ment to joint international ventures not so very long after Lord Prior, GEC's chairman, was being gently ribbed about the "British as roast beef" com-position of the board.

Giraud, aged 65, is a modern European technocrat to his inger-tips. Born in Bordeaux, the son of a schools inspector, he studied at the exclusive Paris Polytechnique where so many of France's industrial stars begin to shine. His first 10b was as an engineer in the ndustry ministry. Now he advises the president of the Sant-Gobain group, which is a pivotal force in French industrial and poitical life. The cur-rent industry minister, Roger Fauroux was a former chair-

Three recent joint ventures between GEC and foreign companies indicate a new willingness by Lord Weinstock to send his braves to hunt the prairies. They are: the consumer goods manufacturing arrangement with General Electric of the US, the arrange-

## **OBSERVER**

in power engineering and transportation, and the joint ownership with Siemens of Germany of the British-based turing company GPT.

#### Artus link

■ Yet the most intriguing appointment is that of Ron Artus, who retired from the Prudential Corporation at 58 this year after a lifetime as an investment manager, and was group chief investment manager from 1979 on. He seems to have been put into place to supply a missing link between GEC and the City. Artus and his colleague

Peter Moody some 20 years ago set about making the Pru and the other institutions involve themselves more closely in the companies they invested in. At the Pru they adopted a stance that they were committed to long-term investment in many companie
- and made plain that they

expected to exert influence upon industrial managers from the shareholders' position. City institutions seem to have reacted quite favourably to GEC's strategy of partner-ships with foreign companies. But there remains the familiar enxiety about when, and to whom, Lord Weinstock will relinquish the post of manag-

ing director.
All the signs are that Lord
Weinstock will make the decision in his own good time and will not be rushed into it either by his non-executive directors or by institutional investors.

#### Free speech

■ The most revealing moment of yesterday's Unity Day cere-mony at the Berlin Philharmonic concert hall came about half an hour into the session when an eccentric citizen took the podium uninvited and



#### "I'm so hungover I can't emember if I was East or West German".

started to address the audi-

Had he been a terrorist, the Had he been a terrorist, the intruder — who had got into the police-ringed building with a forged security badge — could have gunned down the whole of the German political establishment, from President Richard von Weizsäcker downwards. As it was the low key wards. As it was the low key way in which the incident was handled testified to the new relaxed German style.

The audience reacted to the

impromptu speaker's tirade with polite clapping. The Germans are showing that they are not after all hyper-efficient, but can improvise when the need arises.

#### Mis-match

Job security is one of the main perks of working for EC institutions. But not, it seems, in the case of the head of the ondon office of the European Parliament.

Martin Bond, a long time EC official and erstwhile BBC correspondent in Berlin, has

held the job since December 1988. But the latest twist in a long-running legal saga has put a question mark over his continued tenure there.

The reason is that Jack Hanning, press officer to the Coun-cil of Europe (the oldest but least-known of the Euro-organ-isations) has just won his case in the European Court. Hanning complained that he had effectively won the first

competition for the Parlia-ment's London job back in 1987, but was then mysteriously de selected. The Parlia-ment held a second competi-tion, which Hanning re-entered but lost to Bond, Now the European Court, (or rather its Court of First Instance which has been new-ly-created to deal with just this

sort of intra-Euro personnel row) has annulled the Parliament's decisions to disregard the first competition and to call a second one. The next move in this long-running legal tennis match is up to the Parliament.

#### Card vote

■ Margaret Thatcher's Christmas card list, currently circu-lating Whitehall, will need careful updating this year. The draft version lists Preside Saddam Hussein as a suitable recipient of "seasonal greetings" from 10 Downing Street But Iran, with which Britain restored diplomatic relations last week, is excluded.

Speculation among officials centres on whether relations with Syria will have improved sufficiently for it to be brought back on to the list before December 25.

#### Numbers game

■ We have become used to such numerical tags as the Birmingham Six and the Guildford Four. But surely the Irish Noraid committee in the United States has got carried away in referring, in a press ese, to the "Trust House

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cash flow and profits, please contact us

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I there is one commodity of which there is no shortage in former communist bloc countries, it is advice.

The current issue of International Economy lists no fewer than 11 plans for the Soviet aconomy, eight of Soviet and three of western origin. But the hard question is posed by Harald Malmgren, namely whether western aid should prop up dying ministries and the old power structure of the all-union central government or should be directed to the republics and heads of newly energing enterprises: emerging enterprises:

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Edward North

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The most promising contri-bution, however, describes a bution, however, describes a real free enterprise experiment by a Moscow Professor, Valentia Fyodorov, who has had himself elected governor of Sakhalin Island, north of Japan, 11 time zones and nine hours flight from Moscow.

A sharp distinction of course needs to be made between the crumbling Soviet empire and central European countries such as Czechoslovakia, Hungary and Poland. The latter do not need lessons in market economics to which their own

not need lessons in market eco-nomics to which their own nationals have been foremost contributors — as well as phi-keepby and logic.

My reticence about giving advice to either group has been reinforced by reading some

remarks at a recent Mont Pelerin, Society meeting in Munich by the very go-shead Czechoslovak Finance Minister, Vaclav Klaus. He emphasised that people "could not afford once more to put their fates into the hands of irresponsible intellectuals". One of sponsible intellectuals". One of his main tasks was to "block faulty political decisions."

Economic reform, he pointed out, went back in his part of the world to the 1960s, when it was known as decentralisation. The place of decision was shifted; but without introduc-ing property rights, prices or incentives it brought more problems than it solved rather like some of the efforts of earlier Conservative govern-ments in Britain to decentral-ise nationalised industries. Another mistake of reform efforts has been to overlook the required sound money framswork. Hence his own pol-icy of budget balance and zero

Misus predictably rejected partial reform: the search for a third way between Commuthird way between Communism and capitalism was the fastest way to the Third World. But he equally decided the "search for an ambitious and intellectually perfect reform project, elaborated in all its details." This would be to postpone reform to eternity. Doing nothing in search of perfection is the trap into which the

ECONOMIC NOTEBOOK

## Some countries need no advice

**By Samuel Brittan** 

Soviet Union has fallen. Unlike those western econo mists who used to say that ownership was secondary, Klaus believes that establishing property rights is central to reform. The first step in his own country was to transfer state enterprises into joint stock companies, capable of being privatised. Because of the lack of domestic wealth. being privatised. Because of the lack of domestic wealth, the one way of transferring ownership was "to distribute free a part of state property in the form of vonchers to the population at large." This is an idea which I vainly proposed king ago in relation to UK privatisation and has been developed further by Citve Crook in Eastern Europe in Transitiont.

The urgency is, however, much greater than in the UK.
"There is no time to privatise 5 per cent of the state property in two, 10, 15 years, as was done in some developed and developing countries in the developing countries in the past decade. We must start with the bulk of enterprises

already occuring.

He was, however, agnostic on the correct sequencing between freeing prices and institutional changes such as privatisation. A convertible, realistically valued, currency was essential if import controls were to be removed. But the order of internal and external reforms was uncertain. His reforms was uncertain. His government hoped to achieve a convertible currency by the end of 1990 – at the same time as price reform but before the bulk of institutional changes.

A wise man knows what he does not know; and there is hope for Czechoslovakia if

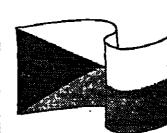
and privatise them in a few months' time," if only to pre-vent the chaotic privatisation

Klaus is given a chance.



desire to extend it further Indeed, it was no collectivist but Mrs Thatcher's own favourite economic philosopher, Prof F.A. Hayek who wrote: "The triumphant claim of the British parliament to have become sovereign, and so able to govern subject to no law, may prove to have been the death knell of both individual freedom and democracy."

The author reminds us of the powerlessness of the parlia-mentary Opposition, the weakness of the Commons commit-tee system; the inadequacy of the present House of Lords; the hostility between central and local governments and the frality of administrative law. Secrecy concerns do not dis-tinguish sharply between dis-closures which involve genuine issues of national security and those which involve embarrassment to the government. Above all, there has been an rosion of the role of conse



People could not afford once more to put their fates into the hands of irresponsible intellectuals'

- Vaclay Klaus

better guarantee that institu-tional change is fully debated and does not arise inadvertently or by gradual accretion."

The author would like to transform the House of Lords into a second chamber which into a second chamber which would monitor European Community affairs, review administrative law, act as a constitutional court and watch over human rights protection. Different voting systems could be used for the second chamber, or in local government elections, without plunging into proportional representation for the Commune.

The government's ability to manipulate the economy to secure its own re-election could be reduced by fixed term elections. Vibert endorses the conventional argument for an operationally independent but accountable central bank, whether that is to be the Bank of England or a European Central Bank. But in contrast to Delors, he suggests the latter body should report to national parliaments and the Council of Ministers rather than to the European Parliament which has a vested interest in infla-

tionary spending.
The EC has put constitutional questions irrevocably on to the agenda even for Eurosceptics. Indeed, "a more

sceptics. Indeed, "a more extensive programme of institutional reform can help Britain articulate its values more clearly and display a more forceful role in the wider European debata."

You may agree or diagree. But you would be astonished, if you did not know already, that the whole discussion paper has been temporarily withdrawn so that two paragraphs can be deleted. What caused the fuss? A proposal that I hardly noticed on a first scan. This asked for "the vestigial constitutional functions of the Crown to be removed". Specifically, an officer elected by one or both houses of Parliament "could invite a party liament "could invite a party leader to form a government' or to give formal assent to legislation. So far from being anti-monarchy the aim was to reduce the risk of the Queen being involved in political controversy, as she could be were there to be a hung Parliament. This innocuous suggestion led to a headline in last weekend's Sunday Times - "Radiend's Nunday Times — "Radi-cal Tories seek to strip Queen of power", buttressed with rent-a-quote criticism from Tory backbenchers and others. Unfortunately the Institute of Economic Affairs, which boasts of its non-partisan nature, caved in, saying that the two paragraphs in question

were "generating more heat than light and distracting attention from careful analysis of constitutional issues."

Maybe. But is the monarchy then to be the last unmentionable even in highly respectful IEA prose? If so the UK is not entirely a free country. One should never retreat from gunfire, especially metaphorical gunfire from newspapers under pressure to hype up anything

Taxes and Labour Labour is trading on voters' ignorance that "no tax cuts means higher taxes." For the automatic effect of rising automatic effect of rising incomes in a progressive system is to drag more people into higher tax brackets and increase the proportion of income most of us pay in tax ("fiscal drag"). The Tories have not been inclined to broadcast that the tax burden has risen under Mrs Thatcher from 34 to 36% per cent of GDP. What do you think it would do under a you think it would do under a government which was not even trying to reduce taxes? \*From Suite 1220, 1050 Connecticut Avenue, NW, Washington

†Social Market Foundation, 194 Regents Park Rd, London NW1. †Constitutional Reform in UK: an Incremental Agenda, IEA 2 Ld North St, London SW1.

China's economic reform

## Nominal pause, but a degree of real progress

By Adrian Wood

the economic reform further.

I hatever happened to China's formerly so successful economic reform? Western pessimists think it is in reverse. Optimists think it is stationary. In fact, it is still going forward. How can this be? And how does it compare with the Soviet Union and

eastern Europe?
China's economic reform in the second half of the 1980s got on to the wrong track, with the nature relaxation of administrative controls over state enterprise expenditures, and the universalisation of two-tier (fixed and market) pricing. The result was accelerating inflation and massive corruption, which were deeply unpopular, especially among civil ser-vants, students and other urban people on fixed or sticky incomes. Economic anger, rather than a wish for demo-racy, was what moved most demonstrators in May 1986. However, months before the Tiananmen tragedy, China's leaders had changed course. Top priority was given to eradicating inflation and corruption, through severe deflation and stiffening of administrative controls over wages, prices, credit and investment. This effort has now been maintained for two years, and has basically achieved its objec-tives, though not quickly enough to head off the demon-

terms of lost output.

A majority of the leadership still favours more economic reform, at least in principle. Like everyone else in China, they are well aware of the enormous gains that reform enormous gains that reform brought during the 1980s, espe-cially in the living standards of ordinary people. They also want to emulate Japan's onecentury leap from nowhere to the economic forefront, and have the example of the Soviet Union to remind them that the Stalinist development railway terminates at a rather less ele-vated destination. The leaders are, however, nervous about the possible recurrence of dis-order, and some of them fear that further economic reform would gradually undermine the existing political system. These political inhibitions are reinforced by disagreement about how, technically, to take

strations, and at a high cost in

the economic reform further. As a result, no major new reform initiatives have been announced for two years, and although the outlook is improving, none seems likely in the near future. In that sense, those who believe that China's economic reform is stationary are correct. And alas, it tionary are correct. And also, it looks as if a golden opportunity for generalised price reform is going to be passed up. The experience of other countries, most recently and most relevantly Vietnam, shows that severe deflation of the sort which China has lately undergone unwides ideal con-

When new high-level reform initiatives do become possible, China's political conservatism may turn out to have a

silver lining

undergone provides ideal con-ditions for price liberalisation - but the leadership is still too

shaken for such a bold move.
In another important sense,
however, China's economic
reform has continued to progress. To understand this, it is

necessary to distinguish between "nominal" reform, mesning official policy initiameaning change pointy initia-tives, and "real" reform, mean-ing changes in how the econ-omy actually works. Nominal reform can contribute to real reform (price decontrol being an example), but does not do so if it outstrips microeconomic

if it outstrips microsconomic learning capacity.

In other words, the real pace of reform may be limited by how rapidly people and institutions can learn to play new economic roles. For example, Mr Gorbachev's 500-day move to a market economy would surely be more nominal than real. Conversely, there can be real. Conversely, there can be real progress with economic reform even in the absence of nominal progress. This is what has been happening in China since 1988. Lower-level official preparatory work has continued, with the central System Reform Commission still hard at sort and its counterparts. at work, and its counterparts in provinces and municipalities

still pursuing many reform experiments. Moreover, indi-viduals and economic institu-

viduals and economic institu-tions of all kinds have been undertaking their own inita-tives and experiments within existing official guidelines.

This is happening on many fronts, including markets for securities and land. Perhaps the most active area is state enterprise reform. There are official (and promising) tests of joint stock companies, new official (and promising) tests or joint stock companies, new public ownership institutions, and arms-length enterprise taxation. Individual state enterprises are also developing new horizontal relationships with one another, helping to break down the inefficient compart-mentalisation of the economy. Some of the smaller loss-mak-

Some of the smaller loss-makers are being merged, rationalised and even closed down, aided by the new system of unemployment insurance.

Generalised privatisation is politically taboo, but this is more a nominal than a real constraint. As the east Europeans are discovering, the main obstacle to privatisation in this sort of economy is not ideology but acute shortages of suitable prospective purchasers and prospective purchasers and financial intermediaries. Meanmancial intermediaries. Meanwhile, smaller-scale capitalism in China is still flourishing, despite a recent decline in the number of private enterprises as a result of recession and stricter enforcement of rules.

So although the present political obstacles to further accounts reform are recently.

pointed obsates to intract seconomic reform are regreta-ble, real progress is still being made. And when new high-level reform initiatives do become possible, China's political conservatism may turn out to have a silver lining. Economic reform in the state sector is painful, especially to cer-tain groups, and (as recent Soviet experience suggests) autonomous political reform may make it harder rather than easier to implement.

For if the political system becomes pluralistic and demo-cratic, it becomes easier for the losers and the abortsighted to unite to block economic reforms that are in the longrun interest of the people.
The author is a professorial fellow of the Institute of Development Studies at the University
of Sussex.

Sir. As a person of some 30 years experience in the brewing industry, may I add aome considerations to your debate ("A change of pace to restructuring," September 13 and Letters, September 22 & 29).

There is a wider variety and a cheaner product available to the British public as a result of the number of brewers in the UK, particularly small brewers.

The first Monopolies and Mergers Commission (MMC) proposals laid down rules and regulations about size of groups. If would be a pity if those regulations were seen to be flagrantly abused as a result to see to to be flagrantly abused as a result to total draught beer market in the UK is relatively stable because it includes lager which has been one of the fastesty, and has grown on draught because the British public likes to drink it that way.

My opinion is that the proposed because it would lead to greater concentration of ownership in pubs and in brewing. What we really need is for these new regulations to be allowed to go back to natural market forces with no regulations. I believe that in his heart From Str Charles Tidbury.

groups. It would be a pity if those regulations were seen to be flagrantly abused as a result of the proposed Grand Met-Courage grouping.

The European market is dif-ferent from the British market, more than 75 per cent of which is supplied in draught form because the British public likes to drink its beer that way.

Balance sheet and other fac-tors of size mentioned by Mr

Stock: (September 29) would not preclude any existing beer company in the UK, having the financial muscle, to launch

tions. I believe that in his heart of hearts everyone who studied this situation would say this was the right solution.

If we want local choice, let us try and preserve the people who produce it. Australia is perhaps a good example where hig mergers took place. Now two companies control about 90 per cent of the market so there is much more restricted choice and a greater price has to be paid for it. Charles Tidbury, 20 Queen Anne's Gate, SW1

#### All one big, happy family

From Mr Richard Power.
Sir, Observer ("In the fam-ily," September 28) quite understates the family connec-tions within Trusthouse Forts. it is correct that several members of our board have recommended Trusthouse Forte as a career to their children, but so too have many executives in our subsidiary recommends burnered of hotel companies, hundreds of hotel countless chefs, waiters and other staff in our operations throughout the world. People whose interest in heir employer is shared

within their family normally aks very committed employ-

tish Conservative Party cannot accept is intellectuals.

In his otherwise perceptive doce about the drift towards Scotland's secession from the UR. John bloyd does not explain the anomaly of a nationalist movement which is

ees, while people who recom-mend their employers to their children are demonstrating belief in the future of their company in a very real way.

We are very proud that we have many hundreds of families working with us throughout the world. If we can retain

the values and enthusiasm of a family business while employ-ing 100,000 people in more than 30 countries, it will be to the benefit of our customers and our shareholders. Richard Power, director of corporate Trusthouse Forte, 166 High Holborn, WC1

#### Scottish drift towards secession

Six it is not kind of John
Lloyd to call me clever ("Britishness is not enough." October 1). The one thing the Scotter A few more dreadful by elections and even the English will

sels.

A few more dreadful by-elec-tions and even the English will wake up to the new sentiment in Scotland. The Conservatives will have to polish their Unionist credentials. Peter Clarke, Kirkton House, Kirkton Manor, Peebles

#### Beer in the British way More not less state intervention

From Mr Harry Shutt. Sir, A striking symptom of the total discrediting of official economic policy is the increasing number of those, such as Mesars Nevin and Gardiner (Letters, September 13 & 15), reminding us that we have been spending the last decade applying principles with a proven record of failure. What is no less remarkable

is that most of the govern-ment's critics appear unable to offer any alternative except a reversion to another set of failed prescriptions, the Keynesian paraphernalia of active demand management, devaluation and wage restraint nothing but the other side of the same neoclassical coin. For it is clear that, since the main symptom of Keynesian failure – stagilation – has returned to undermine the Reagan/Thatcher experiment,

no western government has been willing to eschew the fatal weakness of the Keynesian model — an addiction to money printing as the neces-sary instrument to sustain growth. Arguably, all that has changed since the 1970s is that, through financial deregulation, the missage sector has been out the private sector has been put in charge of the printing presses – albeit with a con-tinuing state guarantee against

major loss. The result has been the spec-ulative excesses of the 1980s and an unfundable global debt mountain based on over-in-

flated asset values. A measure of how far the situation is out of hand is the manifest inabil-

ity of the US to do anything to defend the dollar which will not push itself and the world into catastrophic recessio to catastrophic recession. The search for a way out is not made easier by the determination of unscrupulous or simple-minded commentators

to interpret the collapse of bureaucratic dictatorship in eastern Europe as a vindica-tion of loisser foire capitalist ideology. The true moral of the Gorbachev revolution for the West is that there is no way of reforming an unsustainable system which does not entail the overthrow of the ruling vested interests.

If we recognise this, we may permit ourselves to see that what is needed to avert global economic catastrophe is far more, rather than less, state intervention, but with a much greater degree of effective democratic control than has ever been practised in either East or

Failing this we must expect to see hundreds more millions of the world's disp responding to cynical dictators such as Saddam Hussein who can too easily present themselves as challenging a world order which offers less and less have to most of its next. hope to most of its people. Harry Shutt, The Grunge, Hillside, Horsham, Sussex

#### Way forward for the boat people

From Mr Martin Barrow MLC.
Sir, I refer to your editorial comment on the boat people ("Expulsion by another name," October 1). The recent agreement between Patietic and Viet. ment between Britain and Vietnam over the simplification of the voluntary programme and the involvement of the United Nation's High Commission for Refugees in stepping up counselling activities is a welcome development. It has been made clear that force is not to be used and, indeed, forced repatriation is not in Hong Kong's interest

While you are right in saying that there is no easy solution, there is now a very clear way forward. It is essential that the British and other governments involved should focus on the root cause - the need for the rehabilitation of the Vietnamese economy rather than the symptoms. The key is to convince the US of Hong Kong

the need to lift its trade embargo and normalise relations with Vietnam, rather than trying to persuade the US to accept forced repatriation.
The Cambodian situation is

delicately poised but has pro-vided the opportunity for dialogue between the US and Viet-nam. The US should accept the direct linkage between solving the boat people problem and normalisation, which will help start the rehabilitation of the economy and provide the psychological boost required to get voluntary repatriation really going. The boat people's future must lie in Vietnam, but their return should be achieved without the use of force. Hong Kong and the countries of south-east Asia will have to be patient while this long-term solution is pursued. Martin Barrow,

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## FINANCIAL TIMES

Thursday October 4 1990

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## Mixed feelings at German unity

GERMANY must act as a pivot of democracy for the whole of Europe, President Richard von äcker declared yesterday as the country celebrated unity in a national holiday of exuber-

ance and reflection.

The mixed emotions were underlined by a demonstration of about 10,000 left-wing west Berliners filing through the centre of east Berlin shouting anti-unity slogans and calling for "Anarchy instead of Ger-

scuffles broke out with riot police as the march, led by a young Berliner in a wheelchair covered with the old East German flag, wound through the government district of east Berlin. The mood turned sour later as a Mercedes car was set alight near the Alexanderplatz. Rowdies shouted: "Fire and flames for this state."

Elsewhere, however, a unity festival was in full swing, with streets awash with hundreds of thousands of people eating sau-sages and pizza in the sun-shine, and public buildings festooned with brand new federal

German flags. Emphasising that Germany had taken "a permanent place among the western democracies," Mr von Weizsäcker said

the country must turn its borders into "bridges" of co-operation with its neighbours.

In a ceremony of speeches in the Berlin Philharmonic concert hall, Mr von Weizsäcker was applicated by Mr Jacques Delors, president of the EC Commission, the most promi-nent foreign dignitary in the audience, when he urged the Bonn government to step up moves towards European mon-

etary union.

The president also risked an

THE OUTCOME may be close, but the odds are that the US

budget package will overcome

its first congressional hurdle and be approved in principle later today following an inten-sive lobbying effort by Presi-dent George Bush and his top

A strong House Republican opponent of the deal, Congress-man Robert Walker from Penn-

sylvania, admitted: "The president is not in trouble. If you put the president and the Speaker and the minority leader and the majority leader

guess is that they're going to find the number of votes they need to pass their package."

Nevertheless, Mr Bush was

sufficiently worried after a first series of meetings on

Tuesday morning with mem-bers of his own party to arrange a nationally televised

address that evening. He has also cancelled a campaign trip

due to start today.

The White House sought to keep up pressure on waivering House Republicans yesterday

By Peter Riddell, US Editor, in Washington



Crowds throng Unter den Linden in eastern Berlin on the first day of unification

upset with Chancellor Hehmut Kohl by indirectly suggesting that Germany should consider raising taxes to help finance unity. Observing that the east-west merger entailed "sharing" west merger entaned "snaring of West German wealth, Mr von Welzsäcker said: "Unity will not simply be financed with high yielding bonds." Mr Helmut Schlesinger, dep-uty president of the Bundes-bunk called for more winnties.

bank, called for more privatisation of state assets as a way of meeting the high costs of unification without having to raise

He noted that privatisation of assets in the former West Germany had raised DM10bn (\$6.3bn) in the 1980s. A further DM10bn of state holdings remained, though their sale would realise more than this. Highlighting the economic

by saying the administration

had not yet mustered sufficient

votes in the House, though it was more confident of Senate

the political momentum of Sunday's agreement and to keep the bipartisan congressio-

nal leadership on board as he seeks to secure final approval

The stakes are high. Failure

would be a major political defeat for Mr Bush on the cen-

tral domestic issue. But, as he warned in his broadcast: "If we

our economy will falter, mar-kets may tumble and recession

Moreover, while some of the details of the package may be reworked by congressional

comprehence next week, it is hard to see how the overall compromise could be put back together again quickly, especially just before the November 6 mid-term elections.

In marked contrast with the upbeat tone of the Reagan years and of his own election,

Bush's budget lobbying likely to succeed

problems in eastern Germany. it emerged that Praktica w expected to cease production of its famous cameras by the end of the year. Mr Gunter Schulzki, general manager of the Dresden-based Pentacon group, said the Treuhand, the agency handling privatisation in the old East Germany, had told it to stop making its Praktica cameras.

itica cameras.

In his speech, Mr von Weizsäcker sald: "This day is a gift for us. History this time has been kind to the Germans."

None the less, reflecting on the human challenges of making a success of unity, Mr von Weizsäcker said of his compatriots in the former two halves of in the former two halves of Germany: "We cannot deny how much divides us still." Many Germans from the east of the country, facing an anx-

Mr Bush described the deficit

as "a cancer gnawing away at our nation's health" and talked

of the hope of lifting a heavy burden from the American peo-

risks — some probably unavoidable — by dropping his no new taxes pledge, and has come under fierce criticism

from conservative Republicans.

Part of the agreement is that the majority of each party in both houses must support the

deal and this is the problem

House side where Republicans have been a minority for

nearly 36 years. There is a divi-

sion between older members, typified by minority leader Mr Bob Michel, who are resigned

to, and can accommodate with, the permanent Democratic majority, and a younger generation, led by minority whip, Mr Newt Gingrich, who are increasingly frustrated.

The latter believe that only a

firm statement of anti-estab-

lishment and populist conser-

Mr Bush has taken political

and dislocation, were in a pen-sive mood. "If things do not improve soon here, something dire is going to happen," said Mrs Ella Walter, an east Berlin office worker in her 50s. She and her husband said they were staunchly in favour of unification but "the gap in living standards is greater than before the Wall came down."

Not for from where they Not far from where they were strolling down the Unter

ious future of unemployment

were strolling down the Unter den Linden boulevard, the sprawling House of Soviet Sci-ence and Techology displayed the federal German flag along-side the Soviet flag. In an unsual display of Soviet free enterprise, Russian women outside were selling lacquered wooden carvings.

wooden carvings. Germany unites, Page 3; Book Review, Page 18

vatism will gain them power. Mr Bush's calculation is that

the alienation of these conser-

vatives will not matter if the

package succeeds in reducing

He is unlikely to face a seri-

ous conservative challenge to

bis renomination and his elec-

toral prospects will depend on the outcome of the Gulf crisis

and on the state of the US

short-term result that several

ate seats held by De

crats and not a few incum-bents, have decided to attack

the budget agreement and are distancing themselves from some of its unpopular aspects, such as higher indirect taxes

and cuts in Medicare health

make a bipartisan appeal to the national interest since he does not face re-election for two years, but Republican can-didates have found they cannot

afford to take the risk.

Mr Bush may be able to

Republican challengers for

#### East Europe || surplus arms go on sale in Spain

By David White, Defence Correspondent, in London

WANT A few portable Soviet-designed rocket launch-ers? Or a stock of good old Kalashnikov rifles? Or why not go the whole hog and buy yourself a T-72 main battle tank?

All this and more Warsaw Pact surplus is available through a company called East/West Engineering, oper-ating from offices at San Pedro de Alcántara in southern Spain and run by Mr Paul Cra-dock, a well-spoken Briton. A two-page advertisement for the company, entitled "Where east meets west," fea-tured in last week's edition of Jane's Defence Weekly, the specialist magazine, with a list of both Soviet and western

arms on offer.

Mr Paul Beaver, the magazine's publisher, said he knew
East/West Engineering to be a

hona fide company.

According to Mr Cradock, it was set up about 18 months ago to take advantage of improved east-west relations. The Soviet equipment was available mostly through other east European countries which had "lots of kit exceeding their needs" and were now free to turn it into foreign cur-

He cited Bulgaria, Poland, Czechoslovakia and Hungary. Arms could also be bought direct from the Soviet Union but this took longer, he said.

Most equipment was "as new."

"We proceed exactly as we would deal with western countries. We forward inquiries.

They dealed it the destinations. They decide if the destinations are politically acceptable."

He added: "They are just as

bureaucratic as other coun-tries, although not necessarily as well organised." The "east" list includes tanks, from veteran T-54s to modern T-72s of the kind used by Iraq to invade Kuwait,

by traq to invade Kuwait, armoured combat vehicles, self-propelled howitzers, multiple rocket launchers, anti-circust missiles, RPG-7 rockets (as used by the IRA), aircraft bombs, AK-47 and AK-74 assault rifles and amountation. Some eastern European countries are thought to be in a hurry to sell tanks, armoured vehicles and artillery which would otherwise be scheduled for destruction under the Nato-Warsaw Pact

arms treaty due to be signed next month. Mr Cradock said the company had no Soviet equipment in stock but had access to a "very large depot" of western arms in Belgium. This belonged to a parent company, the Commerce International Group, also based in Spain.

Stocks ranged from ammunition of present contents.

nition of various origins, including Argentina and South Korea, to Italian Oto Melara 105aun field howlizers. Also in stock were German Heckler stock were German Heckler und Koch sub-machine guns and American .50 calibre heavy machine guns. "Other items are in the inventories of different coun-tries who want us to act as

tries who want us to act as selling agents so that they can use the money to buy new equipment," Mr Cradock said.

Among weapons on offer are Austrian GHN-45 extended-range howitzers, made under licence from Dr Gerald Buil, the controversial Canadian weapons designer murdered earlier this year. In the Gulf War, the howitzers were sup-plied to both Iraq and Iran. Mr Cradock said the list

included "very little" British meinded "very little" British equipment, apart from Bofors anti-sireraft guns made under licence by Boyal Ordnance. The company also had in stock some British 25-pounder field gans. "I wish we didn't," Mr Cradock added. "They are museum pieces."

He said supplies of stocked equipment were governed by

equipment were governed by Belgian export regulations. The Belgian authorities had recently tightened their vetting of "end-user" certificates, required for all arms exports. This had slowed things down.

ompany. He would not give an indica-

## dence to the contrary, any hint that the quality of bank profits has changed is surely prema-

Alan Greenspan is happy with the proposed US budget accord, perhaps it is not such a bad deal after all. Yesterday's comments support the growing feeling that the US central bank is becoming increasingly worried about recession; and one has only to look at the rock-bottom rating of the US money centre banks to understand why. The dollar is already testing new lows and a further redest release to the redest red further modest relaxation in US monetary policy now seems

# A gleam of hope from the north

THE LEX COLUMN

elections are little more than a month away, and the Fed could be accused of playing politics if it cut rates on the eve of the polls. Judging by the short-lived rally in the US bond markets, any future easing has probably already been discounted; and it will need much more concrete evidence of a recession to trigger a major move in bonds. This explains the continuing uncertainty on Wall Street. Meanwhile, the near 100 point jump in the FT-SE 100 over the last three days does not look quite so impressive when it is recalled that the Dow opened at 2,380

that the Dow opened at 2,380

The market is feeling

unhappy about Maxwell Com-

munication again. Last November the yield on the shares had

sunk to 7 per cent; yesterday,

down 5 per cent to a new low of 142p, they were yielding twice that. The latest difficulty is easily identified. Mr Robert Maxwell has \$415m of

Maxwell

The Bank of Scotland is such a tiny player in the global bank-ing markets that it is easy to ignore its presence. Neverthe-less, its interim results carry a ray of hope for its bigger rivals. It is early days yet, but the Bank of Scotland thinks that lending margins are on the mend. Of course, it may just be taking bigger risks. Its interim results show a doubling in bad debt provisions and the 23 per cent rise in its balance sheet has occurred just when the UK economy is sinking into recession. Nevertheless, it is one of the better man-aged UK banks and its ideas

deserve attention. Its optimism that the decade long erosion in lending mar-gins has been reversed is based on the belief that the long on the bener that the long overdue shrinkage in banking capacity is at last occurring. The plight of the Japanese and US banks is well known. They are cutting their lending, which should result in better margins for those still willing the land of the land o to lend Similarly, the more money other banks lose on dud loans in the current downturn, the less capital they have to lend in the next upswing. It all sounds eminently sensible stuff. But there are a couple of provisos. Despite all the tough talk, the world's bank supervi-sors still seem remarkably reluctant to countenance a once and for all reduction in banking capacity by allowing banks to go bust. More worrying is the ease with which banks seem able to replenish their capital by tapping the equity markets, and even Bank of Scotland is guilty on this score. Until there is clear evidence to the contrary, any hint

#### Markets

If the Federal Reserve's Mr

a near certainty.

The only question is the timing. If the Fed is to be believed, any change in policy may have to wait till the budget has been blessed by Congress. On the other hand, the US mid-term

Rupert Murdoch, who besides having much larger debt in aggregate has £1.5m to repay within the year. Granted all that, the position of Maxwell Communication as Communication Share price relative to the FT-A All-Share Index

of Maxwell Communication as a public company remains unsatisfactory. Testerday's statement speaks of agreed asset sales to the value of \$300m and negotiations concerning a further salam worth. But the only deals apparently concluded involve the sale of \$239m worth of assets to Mirror Group Newspepers, which is wholly owned by Mr Maxwell himself. The remaining deals by Maxwell Communication will doubtless be concluded shortly. But the minority shareholders may be left with the problem of relying for discretionary support on a pridiscretionary support on a private individual whose resources are ultimately

#### Harrisons

The dividend is generous, at 9 per cent the yield is enticing, and in the wake of this spring's 118m rights issue, the balance sheet is sound. The hitch with Harrisons is that the earnings have been flat, or worse, since 1988, and show few signs of doing any better soon. Get rid of distorting factors in yester of distorting factors in yester-day's interims, such as dispos-als, Malaysian plantation sales, and two takeovers of British and US builders' merchants, and taxable profits from con-tinuing businesses look to have fallen about 8 per cent in the first half. Hence the likelihood of a static meetax outcome for of a static pre-tax outcome for the year; with earnings per-share down thanks to the new paper. 1990 is not, to be sure, a heipful year, what with the UK construction market in recession, and rubber and palm oil sion, and rubbes and paint of prices hitting the group's remaining plantations. As for Harrisons' chemical busi-nesses, their speciality orienta-tion (towards iron exide pig-ments) is some protection from the industry's current down-

4) to series

## £40m fraud investigation

NINE people were in custody last night after morning raids by detectives investigating a computer plot to steal £40m (\$75m) from British Aerospace, the Press Association reports.

Seven men and two women were being held at police sta-tions in Bristol, eastern England after the raids in Lon-don and Edinburgh. Both women and one of the men are from Australia. The arrests followed weeks

of investigation by officers of the No 7 Regional Crime squad into largescale fraud involving computer technology and other The 31 officers of the Bristol-

based crime squad had been liaising with the Australian federal police and British Aero-

"A major UK company, Brit-ish Aerospace, was believed to have been the target of con-spiracy to steal by computer transaction the sum of £40 mil-lion," said Chief Inspector Ted Allen of Avon and Somerset police. He said the nine were being detained while further inquiries were carried out.
One man was arrested in Edinburgh and the eight others at various addresses in the London area. Inquirles are con-tinuing into various UK bank accounts and others in Australia, Hong Kong, Switzerland, the Isle of Man and Guernsey.

## Nine held in Du Pont and PowerGen pose threat to British Gas monopoly

By Steven Butler in London

KINETICA, a gas marketing company owned jointly by Conoco, the US oil company subsidiary of chemicals group Du Pont, and PowerGen, the soon-to-be privatised UK power generator, has signed a big North Sea gas deal to become a strong competitor against British Gas in the UK industrial gas market. Mr Norman Ellis, Kinetica

managing director, said yesterday that his company had signed what he believed was the single largest gas deal for the UK industrial market. Kinetica will buy 37m cubic feet of gas a day for a two-year period starting late next year. It plans to find buyers for its gas from among current British Gas customers.

Kinetica's deal is the latest customers.

in a series that promise to eat into British Gas's monopoly of sales to British industrial and

commercial customers.

The market opened up following an investigation by the Monopolies and Mergers Commission, after which the government of the commission of the commissio ernment accepted the commission's recommendations that British Gas be barred from

British Gas be barred from buying more than 90 per cent of the gas produced in new UK gas fields.

Competition for gas from new fields has been slow to develop because of the time necessary to bring gas developments into production, but the signs are growing that British Gas could be facing strong competition in the years ahead for its mainstream industrial customers.

The Kinetica purchase represents 57 per cent of the output of the Anglia gas field in the North Sea during the two-year period. Supplies from the field are also expected to go to a gas-fired power station planned for Great Yarmouth, on the east coast of England, by the Anglia Power and Gas Group. Kinetica said it expected to sign further gas purchase contracts later to replace the supplies from Anglia.

gas from Anglia.

Gas from the Anglia field will be transported to Conoco's terminal at Theddlethorpe, Lincolnshire, and be distributed. uted through British Gas pipe-lines. Kinetica may also transport the gas through a pipeline it plans to build between Theddiethorpe and Killingholme

#### Polly Peck plans to halve debt burden

Continued from Page 1 Monte last year for \$875m, tak-ing on \$475m of debt. Mr Nadir said the remaining loans to be repaid amounted to \$350m at present and that this would decline to \$230m by year-end. Mr Nadir also spoke out about allegations of wrongdoing levelled against him personally. He said that South Audley Management, the com-

pany which has been at the centre of an investigation by the Serious Fraud Office, "had never bought or sold shares of Polly Peck International".

Mr Nadir appeared stung by
what he called "character assassination by innuendo" but nonetheless seemed com-posed and self-confident. "Apart from the liquidity prob-lem," he maintained, "the com-

is profitable and Polly Peck's liquidity prob-lems did not prevent PPI Del Monte Fresh Produce, a subsidiary, from trying last Friday to repay \$15m of a syndicated loan even before the money fell due. The money never reached its bank creditors, however, as it was seized by an unnamed UK bank.

East/West Engineering employed about 25 people, and the main directors were British, Mr Cradock said. As vice-president he had "main operational control" of the

ne would not give an indica-tion of turnover except to say it was a "large volume" and declined to discuss prices or clients.

This amouncement appears as a matter of record only.



has acquired 70.2 per cent, of the share capital of

Hoskyns Group plc

The undersigned advised Cap Gemini Sogeti on this transaction

Lazard Brothers & Co., Limited

short-team debt due for repay-ment in three weeks' time. Last Sunday a press comment suggested that he was failing to achieve asset sales on sched-uie; Mr Maxwell replied with a cycle, but even there the firstvolley of statements about impending disposals, some of them contradictory. The effect has been the opposite of that intended. In an atmosphere half profits growth is only half the rate of inflation. The wider issue though is that this is a company which has issued \$240m of new equity soured by corporate collapses, the market is asking itself in the last three years, to finance the acquisitions needed for its planned repositioning. 16是第7法。24、 whether Maxwell Comm tion is in trouble. To say it has delivered nothing would be unfair. But lectures The short answer is almost certainly not. Whether or not asset sales to third parties are from Harrisons' chairman achieved on time, it is not beyond Mr Maxwell's resource-fulness to come up with a mere about long-termism would carry more weight if the interim figures had shown evi-\$415m by October 28. Thereafdence of assured long-term growth from the portfolio of mostly cyclical, commodityter, he has no debt repayments due before 1992. This puts him in marked contrast to Mr



#### INSIDE

#### Chicken coup for **Breton food groups**

There's a shake up in the hen house with the merger of two Breton food companies, teaming up to create one of the world's largest poultry groups. Guyomarc'h, e foods company con-trolled by the Paribas investment banking group, will transfer its fresh pouttry activities to Dout; a family-owned company which is already Europe's number one supplier. George Graham reports. Page 22

#### Moving the debt mountain



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kiens of th

Robert Maxwell (left) faces the prospect of chipping away at his publishing empire in an effort to pay back the debt he took on to buy it. Yesterday's announce-ment of disposals of non-core businesses. may have to be followed by sales of parts of core businesses if future met. Maggle Urry reports on the commitments and options facing

#### Little dragons cool down

Once the fastest growing stock markets in the world, South Korea and Taiwan have now become two of the worst performers. The fall from grace of these fleros "little dragon" economies has prompted different reactions to the financial liberalisation that will open the markets to foreign investors. John Ridding reports.

Maxwell Communication Corporation. Page 25

#### La Générale in a bunker



Société Génerale de Belgique has had a heavy dose of bad luck. Many of the group's subsidiaries are facing tough times with greate tition and lower prices, as the economy

sion. Lucy Kellaway looks behind the scenes at the problems faced by La Générale. Page 22

## Mermaz faces prop of discontent The proportion of Louis Mermaz to the Agriculture Ministry in France marks a new approach to the agriculture of conflict between the farmers and the government. But whether he or any new man can quickly resolve the farmers' com-plaints seems doubtful, tan Davidson tooks at the arcieties of a rural industry facing the atresses of structural and social transforma-tion, as well as the pressures of falling prices.

#### Team apart revives FCB



advertising agency has hauled itself out of the doldrums. From being little more than a bit player in the important markets of Europe and Asia Pacific, FCB is now one of the largest forces in international advertis-ing. Alice Rawsthorn talks to chairman Norman Brown (left) about FCB's future. Page 23

London traded options London trade, options Managed fund service Money restracts

Next int. bond issues

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World stock mic indices

Harrisons/Crostield Higgs & Hill Jardine Matheson

Banesto Bank of Scotland Bank of Wares
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## Chief price changes yesterday

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## two-for-three rights offer and should almost double MTM's capacity in higher-value fine chemical products.

MTM offset the adverse impact of the share issue announcement by forecasting pre-tax profits of at least £12.5m (\$23.6m) for 1990, which would be a 34 per cent increase on the 1989 profit of 29.3m. Mr Richard Lines, MTM's chairman, said the performance was an indication of the group's resilience in the poor economic climate. The group's recessionproof qualities would be enhanced by the Hardwicke acquisition, he added. The rights offer, underwritten

£49.5m, with the balance of the purchase price to be met from MTM's own borrowing facilities. MTM's shares slipped from 171p to 144p in yesterday's strengthen-

MTM is principally involved in process development and manufacturing, supplying intermediate chemicals to large pharmaceutical and agrochemical companies. The acquisition of Hardwicke, which is based in South Carolina, will increase the UK group's profile and capacity in the important US market, which accounts for just under half the world's chemicals output. About 40 per cent of the enlarged group's annual turn-over is likely to come from the US, some 33 per cent from the UK and most of the rest from Europe. Hardwicke made profits of \$13.4m before tax in 1989, and

by Robert Fleming, is priced at \$8.9m up to August 31 this year, 140p a share and will raise on turnover of \$46.2m and \$32.9m

respectively. The acquisition also provides an alternative to further capital expenditure in the fine chemicals area. Mr Lines said that in 1991 MTM's capital expenditure would come down from £20m a year to about £10m and he said the group would now aim to grow organi

Following the rights issue, Mr Lines said MTM's UK borrowings would be replaced by debt in US dollars, at lower interest rates. He said there would be no dilution of the group's earnings per share.

Imperial Chemical Industries which holds 14.1 per cent of MTM through ICI Chemicals & Polymers, will not take up its entitlement of shares, cutting its stake in the enlarged group to about 8.5 per cent.

## Murdoch merges Australian newspapers

#### By Kevin Brown in Melbourne

NEWS Corporation, Mr Rupert Murdoch's international media group, yesterday announced plans to move to 24-hour publishing in Australia's two biggest cities, to stem losses incurred by its evening newspapers.

The decision means the end of independent publication of the evening papers, the Daily Mirror

in Sydney and the Melbourne Herald. The Herald was the flag-ship of the newspaper empire built by Sir Keith Murdoch, Mr Murdoch's father. The Mirror will be merged with the morning Daily Telegraph to become the Telegraph Mirror, and the Herald

will be subsumed into the morning Sun News Pictorial, as the Herald-Sun.

"It is a sad thing to see one newspaper where there used to be two, particularly when your father spent 25 years building one of them, but you can't beat the market place," Mr Murdoch

The merged newspapers will be produced by a single staff in each city, producing morning and evening editions, six days a week. No journalists will lose their jobs, but about 180 produc-tion and distribution staff will be

Mr Murdoch said that the mergers would achieve "substan-tial" cost savings for News Cor-

The Herald has been losing between A\$20m (US\$16.7m) and A\$25m a year, while the Mirror, A\$25m a year, while the Mirror, once a money-spinner, has just about covered its costs in recent years. Mr Murdoch said the only alternative to the merger would have been the closure of the evening newspapers, with the loss of up to 1,000 jobs.

"We think this is the best way to face what is happening to to face what is happening to afternoon newspapers through-out the world, and to maintain

both services to the public and jobs," he said. Analysis said the move to 24-hour operation would allow News Corporation to stem its losses on evening publication while maintaining its presence in the market to deter potential new

entrants.
The concept has been successful in Japan, but has produced mixed results in English-speaking countries. Mr Robert Maxwell, the UK newspaper proprietor, failed to sustain his 24-hour London Daily News, but Mr Murdoch said round-the-clock operation had increased circulation at the New York Post the Post was

subsequently sold by News Cor-poration to comply with US nedia-ownership regulations. Mr Murdoch said announced mergers were unrelated to stock market concerns about the group's debt profile which triggered a fall of more than A32 in the share price last week. The shares closed 18 cents down at A\$6.92 last night. Mr Murdoch also ruled out the acquisition of all or part of the Fairfax group, which announced a net loss of A\$59m on Tuesday, and warned that difficult trading conditions could trigger a breach of loan agreements by December.

 Mr Murdoch told a press conference in Melbourne that he would consider moving to 24-hour publication for other News Corporation titles if the concept was successful in Australia. He added: "We were talking about it the other day for London, but you have very unique problems there in distribution and so on. News Corporation owns The Times, the Sun, Today and two Sunday newspapers in London. Asked which of these had been considered for conversion to 24hour operation, he responded: "That was a joke. There is no serious consideration of that."

## Can Isosceles square the vicious circle of debt?

Nikki Tait and Maggie Urry examine the latest twist in Britain's largest leveraged buy-out

imming a takeover battle is sometimes only the beginning of a company's problems. Isosceles, which took over the Gateway food retail chain in Britain's biggest leveraged buy-out last year, is in just

that position. Ever since March it has been clear that the company would need to raise more equity. Since then the tricky question of what the group does about its capital structure has been exercising the minds of its bankers and share-

Some choes could be found on Friday, when Isosceles will amounce how much it lost dur-ing its first full trading period and is expected to indicate the progress it is making in talks about refinancing its high level

The nub of Isosceles' problem is relatively simple. When the newly formed company took over Gateway for £2.1bm, its funds included only £200m of equity. The remaining money comprised £375m of mezzamine finance and the metal in explain delta.

The isosceles plan envisaged the sale of some significant parts of Gateway with the proceeds used to pay off a large chunk of

The £705m disposal of 61 Gateway superstores to Asda, a rival food retailer, went ahead early on. But some other expected sales - notably that of Hermans, a US sporting goods retailer, and Gateway's Scottish and north of England stores – failed to materialise. Isosceles today is there-fore both larger than originally planned and has been able to pay down its debt less quickly.

As usual with highly leveraged transactions, Isosceles promised

with 20 per cent, is Great Atlan-tic & Pacific Tea Company, the third largest food retailer in the US, which fought Isosceles for central of Gateway.

Worries about A&P's position profits, interest cover, capital expenditure, asset cover and so on. Because of the failure to make asset sales, the company and its equity backers concede that there will be a breach of these coverants at some stage.

these coverants at some stage.

The most sensitive coverant is that on interest cover, which is due to become effective this November. Under this covenant, interest cover for each quarterly reporting period during the second year must equal or exceed 1.75.1. The ratio rises to 21, 2.5.1 and 21 in the pert three years. and 3:1 in the next three years.
Isosceles has the further prob-

repayment of debt next August, so some extension of the repayment schedule may also form part of the refinancing package.
Isosceles, not surprisingly, is publicly phlegmatic. There is no urgency to resolve the thing right now," Mr David Smith, Isosceles' chief executive, insists. Saving mooted the idea of a September solution in August, he now says that the matter should be resolved by the end of this year.

lem of needing to make a £300m

ne of the other parties to the discussions was recently hoping for an earlier resolution of the talks. Most of the main shareholders principle and the scale of the equity injection. A suggestion that the equity base might be doubled from its current £200m is not denied.
Isosceles' shareholder list is

dominated by two large holders, each with a seat on the board. Wasserstein Perella, the US investment bank, holds a 20 per cent stake in Isosceles.

The other large holder, also

appeared to tell on its share price earlier this year, prompting Mr Jim Wood, the Newcastle-born chairman, to reassure shareholders that the US company would not be contributing to any refi-

nancing.

Conflicting accounts of progress are, perhaps, a hint of different pressures behind the scenes. While Isoscoles stresses that basic trading performance is "ahead of budget", any company owned by a bunch of bankers and venture capitalists and obliged to refinance at some stage could expect negotiations to be tortuexpect negotiations to be tortu-ous and protracted.

Assessing how close to the wind Isosceles will be salling by November has been virtually impossible, given that the latest published figures were for the quarter to February 3. A better to reordary 3.

A better friday's results, covering 10 months of Gateway's trading to end April, which will be accompanied by first-quarter results for the current financial

According to Mr Jeremy Alun-Jones, retail analyst at Salomon Brothers, the investment bank. the pre-tax loss may be £43m before including gains on the translation of Isosceles' dollar debt, which might cut it to £32m. Mr Alun-Jones reckons that Isosceles could make a pre-tax profit in the current financial year, if the refinancing package includes a sizeable dollop of new

equity. Profits should rise



David Smith: 'No urgency to resolve the thing right now'

quickly thereafter. Still, if Isosceles has a h ache, it can always console itself with the thought that the position is scarcely comfortable for A&P, which ended up swapping shares in Gateway into its 20 per cent stake in Isosceles, which was valued in its books at end-

1989 at \$144m. The stake is reckoned to be costing A&P around \$15m a year to finance, and Isosceles stopped making dividend payments when the refinancing talks started. One Wall Street analyst suggests that the Isosceles holding could knock about 23 cents off A&P's 1990 earnings, a dilution of around 5 per cent. If that does not sound too serious, there is still the problem of what A&P does from here

assuming its holding is The company, with its one seat on the Isosceles board, makes lit-tle secret of the fact that it would like to contribute more in management terms.

Isosceles' only public sugges-tion is that the refinancing itself may make an exit for A&P some-what easier. "It depends on the form of the funding," suggests Mr Smith, "but it might loosen things up and give Jim Wood the ability to get out."

That leaves the ball in the A&P chairman's court. If nothing gives, he concedes that the stake may have to be written down at some stage. "I really don't have much choice," remarks Mr Wood, displaying Geordie bluntness.

#### Fiat likely to unveil switch in tactics with Telettra sale

By John Wyles in Rome

THE Flat Group is expected to signal an important change in its strategic priorities today based on selling Telettra, its telecommunications subsidiary.

There was some uncertainty in Rome last night about the iden-

tity of the purchaser following a behind-the-scenes competition for the prize during the past fort-night between Iri, Italy's big industrial holding group, and Alsthom-Alcatel, the French elec-

trical engineering company.
Since there were unofficial
indications last night that the prospective deal might also involve FiatAvio's gas turbine manufacturing activities, there was some speculation that the French group may have won the

This was strengthened by con-firmation that Mr Cesare Romiti, firmation that Mr Cesare Romiti, the Flat managing director, had meetings yesterday with both Mr Guilio Andreotti, the prime minister, and Mr Paolo Cirino Pomicino, the budget minister.

It was thought less likely that Mr Romiti would feel the need to brief ministers if the agreement to be apprenticed today involved.

to be announced today involved a sale or sales into the public sector. In any case, the sale will be seen as a decision by Fiat to concentrate more on its core automotive businesses.

Telettra's passage into French ownership would cause some consternation in Rome. Its transmissions business has long be seen as complementary to the equipment manufacturing operations of Italiei, the Iri sub-sidiary in which AT&T has a 20 per cent stake.

An attempt to merge the two groups foundered three years ago because of Fiat's objections to "political" appointments to its top management

## Sealink will invest £178m to improve market position

By Richard Tomkins, Transport Correspondent

SEALINK Stena Line, the terry company formed when Stena Line of Sweden took over Sealink British Ferries in April, is propos-ing to cut 849 jobs in the next 18 months to improve its financial

performance.

However, it is also planning a £178m investment in new vessels, port facilities and new routes over the same period which it expects will create 785 new jobs. Sealink, which operates three ferry services to continental Europe and another three to Ireland, is one of Britain's biggest ferry operators. At present, it employs about 6,000 people.
It said the planned changes

resulted from a six-month business development study aimed at strengthening the company's market position Sealink's £178m investment

By Andrew Hill in London

MTM, the UK specialist

chemicals manufacturer, is to

buy Hardwicke Chemical Com-

pany of the US for \$112m.

The purchase from the US chemicals group, Ethyl Corpora-

tion; will be partly financed by a

new vessels for the Dover-Calais route, a new ship for the Har-wich-Hook of Holland run, ship refurbishments, extra sailings and investment in Irish termi-

The job cuts will be accompanied by an attempt to transform the company from a pure ferry operator to what it terms "a world-leading travel service com-

pany". Sealink will increasingly market its ferries not just as a means of transport from one point to another, but as amenity-packed pleasure boats for days or eve-

nings out.

A similar strategy has been adopted by other ferry companies, partly to fill vessels in off-

MTM to pay \$112m for Hardwicke

programme includes plans for a new service between Southampton and Cherbourg next year, two peak periods and partly in response to the threat posed by the Channel tunnel.

Most of the planned job losses will result from a change in working practices aboard Sealink's vessels from the present complex rota system to a one week on, one week off system. This will enable the company to cut the number of crews from five per vessel to two, so deliver-ing a big reduction in operating

The company aimed to introduce the changes in co-operation with the unions. However, Numast, the merchant navy officers' union, said it would resist

"We have grave doubts about the feasibility of the plans, especially from a safety point of view," the union said.

## MIDLAND MONTAGU ASSET MANAGEMENT WOULD LIKE TO MAKE AN ANNOUNCEMENT ABOUT THEIR WORLD SERVICE.

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## Problems pile up at La Générale

Lucy Kellaway on the fall from grace of Belgium's biggest company

ake Belgium's biggest, worst-run company. Install a new management team bursting with good ideas for sorting out the untidy portfolio of 1,200 subsidiaries. The sky would seem to be the limit. That was what the market reckoned a year ago in the case of Société Générale de Bel-

Now things look different. Investors who bought shares at the placing last year have lost more than 30 per cent. Those who took part in the flotation of Acec-Union Minière, La Générale's metals unit, have lost 40 per cent in interference and the control of t per cent in just five months.

This change of heart has not been without reason, as Tues-day's results for La Générale showed. The company's first-half net operating profit was BFr4.6bn (\$144m) after tax about a quarter of what it made in the whole of last year.

The shares have fallen by about a third since July, and the discount to asset value which gives some measure of how highly regarded the man-agement is — has worsened from less than 20 per cent a year ago to 30 per cent now. What has gone wrong? La Générale has received a heavy dose of bad luck. Many of its subsidiaries in non-ferrous metals, chemicals and metals are facing more difficult times with greater competition and lower prices, as the economy moves towards recession. High interest rates and a falling dol-lar have also hurt.

Worst of all, Fabrique Nationale Herstal (FN), the gun-making subsidiary, is los-ing more money, and begging for its second rescue oper-

By George Graham In Paris

SOCIETE GENERALE, the

French private sector bank, has reported a 17 per cent drop

in first-half net profits, to FFr1.42bn (\$272.6m), confirm-

ing growing anxieties over a downturn in the profitability of the flercely competitive French

Mr Marc Vienot, chairman, said group operating income had fallen by 11 per cent as a result of the interest rate structure — with high real rates and an inverted yield curve presenting activity — and of

penalising activity - and of difficulties in the capital mar-

Only SocGen's domestic banking activities gained

ground, he said, despite a drop

of half a percentage point in gross interest margins to an

average of 5.38 per cent over

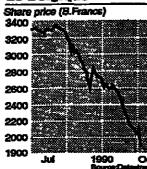
the first half. Total lending be une rose by 18 per cent to FFr512hn added.

banking sector.

SocGen's first-half net

falls 17% to FFr1.42bn

Société Générale de Belgique



ation in just 18 months.

Many of these upsets have been out of the company's con-trol. However, the manage-ment gives the impression of having been ill-prepared for some of them, bullianly expecting its virtuous circle to keep

The Acec flotation in May was a case in point: the shares were sold at the top of the market at a price that was far too high. Interest rates too may have been misjudged, with some of the debt switched to floating rates just before rates started to rise.

The complaints have come pouring in from all sides. Shareholders have claimed that the company is not responsive enough to their needs. "I am beginning to won-der what is the point of La Generale. The individual companies are very well run, but it sits in the middle having to play politics, with Suez sitting on top of it. Its shareholders, especially its minorities, are

but client deposits increased only half as fast, forcing the

bank to depend more on dearer

money market resources. In addition, SocGen decided

had debt and securities risks by 51 per cent to FFr8.3bn.

results would have been passable. With the Gulf, they

become mediocre, because of

our prudence over provisioning policy," Mr Vienot said.
SocGen had to provide FFr200m on the deterioration in the value of its stake in Michelin until the end of June, and Mr Vienot said further tro.

and Mr Vienot said further pro-visions on this and other

stakes could not be ruled out at the end of the year. "If 1990 as a whole turns out

to be as good as 1989, it would

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increase its provisions for

Without the Gulf crisis, the

forced to take second, third and fourth place," said a disillusioned London stockbroker.

Analysts also feel hitter to have got their 1980 profit forecasts too high by several billion Belgian francs, and they blame the company for not sivbare the company for not sivbare been dealt with less meritage for the second several bare been dealt with less meritages.

All the first is its political responsibility to Belgium where the lion's share of its assets remain. If Mr Carlo De Benedetti had won in his attempt to take over La Général less meritages.

cifully.

Under the circumstances, La

Générale may have straddled the needs of shareholders and workers as well as it could. It has made it quite clear that it

would support the company probably to the tune of some
BFr5bn or so - but only under
strict conditions. These include
finding an industrial partner,

getting support from trade unions and money from the

local government.
In the last six months, La

Générale may have managed to offend everyone from the work-ers of Liège to its shareholders to stock market analysts. Per-haps, as Mr Davignon evi-

dently believes, they have themselves to blame.

themselves to blame.

He says it is all a matter of fickle fashion — La Générale was too fashionable a year ago; now it is not fashionable enough. Such swings are not appropriate for a long-term holding company; and for all its smart new management, La Générale is still a collection of

Générale is still a collection of highly cyclical businesses.

Observers hope that Suez, which last month took more

adequate to strengthen Nyckeln's base capital. Nyckeln asked to be placed

in temporary receivership after

negotiations broke down with

a consortium of banks to pro-vide long-term capital in order to restore confidence in the

company and allow trading to

resume in its shares on the Stockholm bourse. Both Nyckeln and Beijer remain suspended. Once Nyckeln

énters receivership, it will

enters receivership, it will have 60 days to reconstruct its activities and strengthen its finances. If it fails to do so, it will have to declare bankruptcy.

Nyckeln's troubles have taken their toll on Betjer Capital. As well as selling its financial services subsidiary, it is salling its 28 per cent voting

selling its 28 per cent voting

lion Belgian france, and they blame the company for not giving advance warning that things were looking so bleak.

Others have said that La Générale has been too keen on tidying up its balance sheet, and has neglected Belgium's industrial base. This is non-sense, said Mr Etiame Davignon, the company's graffly non, the company's gruffly charming president, on Tuesday.'
People say all we do is

invest in companies, and then clear off," he said. "It is not true." La Générale has helped Belgium become a force just behind France in developing nuclear energy. It has invested heavily in its zinc and other metals businesses, in concrete, in steel, in cable televisions, even in a future Brussels home for the European parliament. Altogether, Mr Davignon said it had put some BFr300bn into physical investment in the lest physical investment in the last

uch defensiveness is largely a response to FN
largely a response to FN
- by far La Générale's
worst headache. As the biggest
shareholder in the unhappy
arms maker, La Générale is in a difficult position. It would love to get shot of the whole company, but to do so would put several thousand people out of work in the depressed

town of Liège, and is not politi-cally acceptable.

The FN debacle raises two strategic issues for La Génér-

By John Burton in Stockholm

SWEDEN'S finance company

crisis unexpectedly flared up

again yesterday after Nyckeln

announced it was seeking to be

amounced it was seeking to be placed in temporary receivership, while its principal owner, Beijer Capital, asked to be placed on the Stockholm bourse's special watch list.

Beijer Capital, whose poor forecast last week triggered the

crisis affecting three of the

country's leading finance com-

panies, also announced that its

president, Mr Michael Has-selquist, had resigned. Beijer Capital, whose princi-pal shareholder is the Swedish

financier Mr Anders Wall, said it hoped to rescue Nyckein by selling more of its assets in

order to raise a total of SKr1.8bn (\$312m). Beijer indi-

cated earlier this week that the

Capital Financial Services was lin shipping company.

Crisis in Swedish finance

company flares up again

| Portuguese bankers resolve

By Patrick Blum in Lisbon

attempt to take over La Génér-ale in 1988, perhaps FN would have been dealt with less mer-DAMAGING row in A DAMAGING TOW In Portagal over new rules for setting up a bank or establishing new branches has been resolved, said Mr Jose Alberto Tavares Moreira, governor of the central bank, yesterday.

The row had threatened to concentrate on fewer compa-nies. But as FN proves, the problem in such an approach is that the whole company suf-fers every time one subsidiary gets into difficulty.

split Portugal's banking comspin Formar's banking com-munity. The rules, announced in mid-September by Mr Mig-uel Beleza, Finance Minister, set conditions for all private and foreign financial institu-tions wanting to establish themselves in Portugal, expand their branch networks, or change from investment or change from investment

companies to banks.

In return for permission to make these moves, the institutions would have had to buy or pay for some of the long-standing had debts of the state-owned banks at premistate-owned names at premiums above their market value.
The state would thus have extracted premiums of Es900m (\$6.5m) for opening a new bank or transforming an investment company into a bank; Rs250m for a change of status from that of a full branch of a foreign-owned institution to that of a locally incorporated bank; Es40m for

The surprise announce caused howls of protests from private bankers, who subsequently took legal advice to challenge the constitutionality and legality of the move.

For many banks which had

each new branch in Lisbon and Oporto; and Es20m for a

been waiting, some for aimost a year, for authorisations to set up branches, the rules came as a shock. Several said they were reassessing their

they were reassessing their strategy and some were considering delaying their expansion plans until after 1992, when they would be able to open branches freely.

One senior private banker said the scheme would spread had credits among all the banks like a virus. Bankers also questioned the principle of making the private sector banks pay for the past mistakes and mismanagement of the state-owned banks. Mr Tavares Mozeira said the row had been the result of a misunderstanding stemming from "ambiguities in the initial information [provided to the banks] from the Finance Ministry." These ambiguities had now been cleared.

had now been cleared.

The banks would not have to take on the bad debt, but make a simple payment into Finangest, a state-owned institution established some years ago to deal with the problem of bad credit.

The Portuguese Bankers'

Association, which was not

consulted about the measures, has been asked by the Finance Ministry to give its opinion on the scheme. Mr Alexandre Vaz Pinto, the association's president, is canvassing the association's members and expects to present a compromise docu-ment to the Finance Ministry next week.

He admits it may still prove

difficult to gain a consensus among the association's mem-bers, but is hopeful that with clarifications the rules will be accepted by the banks.
Mr Antonio Borges, a vicegovernor of the central bank
and one of the authors of the ne, said the new regime would remove arbitrariness from the process of granting authorisations.

Doubt cast over Arbed tie-up plan

ARBED, the Luxembourg steel group, said yesterday it is looking at alternatives to its plan for a merger of flat steel production with Cockerill Sambre, its Belgian counter-

part, Agencies reports.

"An agreement . . is not a must and alternative solutions are possible," Arbed said.

Arbed said the two companies were still negotiating and a draft pact should be ready by the first energies of 1991. But the first quarter of 1991. But they said several co-operation: plans were being explored instead of the original 50-50

joint venture.
Mr Emmanuel Tesch, Arbed chairman, said an agreement could range from co-operation to a complete merger. "The formula by which we shall col-laborate has not yet been decided," said Mr Georges Faber, chief executive.

The two companies said earlier this year they were dis-cussing a merger of their flat steel operations, which would involve taking equal shares of the combined industrial and nmercial activities of their flat products divisions.

Arbed also said its first-half consolidated net profit was BFr6.01hn (\$187m), compared to a full-year profit of BFr17.5bn in 1989. Consolidated sales for the half-year were BFr104.8bn.

Comparable year-earlier figures were not given.

KEVIN DONE AT THE PARIS MOTOR SHOW

## Heavy US losses depress RVI 34.6%

RENAULT Vehicules Industriels, the commercial vehicles subsidiary of Renault, with a full takeover as Mack the French state-owned automotive group, suffered a decline of 34.6 per cent in first-half pre-tax profits to FFr517m (\$99m) from FFr790m a year ago under the pressure of

heavy US losses. Mr Jean-Pierre Capron, chief executive, said executive, sand profits were hit by the big jump in losses incurred by Mack, RVI's US associate, which suffered a loss of FF7264m in the first six resettle correction with a less

months compared with a loss of FFr38m a year ago.

RVI, which has recently agreed to pay \$103m to buy the outstanding 55 per cent share of Mack, said the restructuring of the US heavy truck rechange.

of the US beavy truck maker, was its "top priority". Mr Capron promised far-reaching measures to rescue Mack including cuts in the workforce, reductions in inven-turies, systematic cuts in over-heads, the sale of certain non-essential assets, tighter control of purchasing, increased flexi-bility in industrial manage-ment and improved quality ment, and improved quality. Mr Capron said Mack would have an impact on EVPs finan-

was the only operation capable of giving RVI a global acale and assured long-term access to the US truck market. Mack has a 13.1 per cent share of the US heavy truck market (above 15

Mr Capron said the pre-tax profits of RVI's European operations were "very satisfactory" with a fall of only 6 per cent to FFr/80m from FFr/82m. a year ago, despite a sharp fall in output and sales in the face of weakening demand in many western European markets.

EVTs truck and bus output in western European was 13 ner-

in western Europe was 13 per cent lower in the first six months than a year earlier. Volume sales fell by 5 per cent. Mr Capron said demand for new trucks had weakened in most western European mar-kets this year following three years of exceptionally strong

 RVI has signed an agree-ment with Avia, the Czechoslovak truck maker, to modernise its \$.5-5.5 tonnes commercial vehicle range with the launch

### GM buys 75% stake in Italian car parts maker

GENERAL MOTORS, the US automotive group, is to acquire a 75 per cent stake in Diavia and Aura, the Italian makers of automotive air conditioning units, in a deal worth \$67m. It is buying out the stake currently held by United Tech-nologies of the US. The remain-ing 25 per cent stake is held by Mr Vidmo Vanti, an Italian

Air conditioners are seen as an important growth market an important growth market for automotive components suppliers in western Europe in the coming decade. At present only about 10 per cent of cars in western Europe are fitted with air conditioners but GM expects this to grow to 25 per cent in the next five years. Nippondenso, the Japanese intomotive components group.

recently amounced the setting up of a joint venture in the UK with Magneti Marelli, the Ital-ian components maker, to manufacture air conditioning

The stake in Diavia and Aura has been purchased by the Harrison division of GM's Automotive Components Group (ACG). Harrison is a leading maker of automotive heating, ventilating, air condi-tioning and engine cooling system

The Italian company is strong in the after-market for air conditioning units, while Harrison is chiefly a supplier to original equipment makers. Diavia and Aura had a turnover last year of about \$110m. It has a workforce of 320, and a network of 3,000 distributors.

## Poultry leader formed by merger of Breton groups

By George Graham in Paris

TWO Breton food companies are to team up to create one of the world's largest poultry groups, with sales of about 660,000 tonnes a year of the remainder coming from the

chicken and turkey.
The operation will involve the transfer of the fresh poultry activities of Guyomarc'h, a foods company controlled by the Paribas investment banking group, to Doux, a familyowned company based in the Finistère district of Brittany which is already Europe's number one poultry supplier.
Guyomarc'h, based in the neighbouring Morbihan district, will take 20 per cent of Doux, which after the deal will rank third in the world behind

Tyson Foods and ConAgra,

both of the US.

Financial terms for the deal have not been disclosed, but officials said yesterday that the 20 per cent stake in Doux would be broadly equivalent in value to Guyomarc'h's fresh poultry business, which includes the Père Dodu turkey hrand. Most of the 20 per cent Doux family.

Mr Charles Doux, Doux's chairman, said the new poultry group expected sales of FFr6.8bn (US\$1.3bn) in 1990, with net profits of about FFr200m, up 40 per cent from last year. The company has already expanded with acquisitions in Germany as well as in Spain, where it plans to con-tinue to invest heavily over the next three years.

Guyomarc'h, meanwhile, expects a 15 per cent increase in sales this year from 1989's FFr7.8bn, with profits up 30 per cent from FFr115m last year. The group will now concentrate on petfood, animal feed and processed poultry prod-ucts, its other main activities. Mr Michel Vermersch, the group's chairman, denied that he had any plans to sell the Royal Canin dogfood business.

Banesto considers private offers for Corporación

By Peter Bruce in Madrid CORPORACION Bamesto, the CORPORACION Banesto, the new industrial arm of Banco Espanol de Credito (Banesto), one of Spein's higgest banks, is considering private offers for its shares following the suspension last month of a 26 per centification because of the Gulforists

Mr Arturo Romani, chief executive, said yesterday that while Banesto did not require while Banesto did not require the PtaS5bn (\$373m) or so which a flotation in September might have raised, he was con-sidering either issuing subordi-nated debt or offers for part of the Corporación from inter-ested foreign buyers. He said the Corporación, formed in June by merging ali-

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He said the Corporación, formed in Juns by merging all Banesto's considerable industrial holdings under one roof, had made pre-tax profits of Pta21.7hn in the first three quarters of this year.

Mr Romani, addressing fears that the collapse of the Madrid market since August 2 has cut the market worth of the Corporación's portfolio to below book value and might force it to make big provisions,

to make big provisions, insisted that "given the character of the Corporación the mar-

ket falls worry neither the Cor-poración nor the bank."

He said the Corporación's industrial holdings were now worth Pta43bn less on the stock market than stated in its books. "But this is not the real value of the company." La Curporación's strength lay in its major companies in the portio-lio, including Acerinos, Tudor, Petromed, Agroman and Union y Fenix, and not in the market value of the shares, he said.

Both Banesto, the bank, and the Corporación are threatened by the market falls although last week Banesto avoided hav-ing to make interim provisions because of its 76 per cent stake in the Corporación, after a sud-den rally in Corporación But if a slack market forced

the Corporación to make its own year-end provisions, he said these should be passed through the Corporación's reserves, which currently stand at Pia226.50n, and not the profit and loss account as the Bank of Spain may yet demand. Banesto, meanwhile, has

reported a 342 per cent rise in first-half consolidated net prof-its-to Pta30bn of a 17 per cent increase in lending. Banco Central said first-half consolidated pre-tax profit of its financial group rose 74.5 per cent to

#### Crédit Suisse profits decline

CERDIT SUISSE, Switzerland's third largest commercial bank and a unit of CS Holding, said its group profit for the first nine months of 1990 was below the year-ago level. The bank did not, however, provide fig-ures, AP-DJ reports.

Mr Robert A. Jeker, bank president, qualified the nine-month performance, however, by saying the 1989 performance was unusually good.

"All our major profit-generating activities have suffered as a result of what is happen ing in the markets," he said. In 1989, net profit was SFr716.8m (\$551m).

#### **Revco creditors** offer may end litigation threat

CREDITORS of Revco, the US drug store chain which has been in bankruptcy for more than two years, yesterday formed an unusual alliance with the company's manage-ment and produced a reorganisation plan which would end a hitigation threat hanging over the business, writes Martin Dickson. It would leave equity holders without a penny.

Revco was the subject of a financially controversial \$1.8bm buy-out in 1986. Less than two years later it achieved notoriety as the first billion dollar buy-out to finish in the bank-ruptcy courts when it filed for Chapter 11 protection. Last July an investigation into the buy-out found that the company was so short of capital it was virtually insolvent when the deal was completed and creditors might be able to sue for fraudulent conveyance.

Yesterday, however, commit tees of Revco's three creditor groups offered to settle all potential fraudulent conveyancing claims without litiga-tion if their reorganisation plan was put into effect. This would give secured creditors new secured notes, at 100 cents on the dollar, while holders of unsecured bonds would receive unsecured notes. Unsecured creditors would receive an unspecified "substantial premium" in getting over 94 per cent of the company's equity, with the remainder ear-marked for management incentives.

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Floating Rate Subordinated Notes due 2004 Notice is hereby given that for the six months interest period from October 2, 1990 to April 2, 1991 (182 days) the Notes will carry an interest rate of 15.2125%. The interest payable on the relevant interest payment date April 2, 1991 will be £7,585.41 per £100,000

By: The Chase Manhattan Benk, N.A. London, Principal Paying Agent

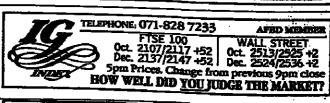


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Union Bank of Switzerland London Branch Agent Bank 2nd October, 1990







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The Bonds have been called for redemption by lots by the

-Interest Bonds in the principal amount of US\$14,000,000,-with serial numbers 5.601 to 7.000 (of US\$10.000.- denomination). Non-interest Bonds in the principal amount of IS\$3.500.000.— with serial numbers 141 to 176 (of US\$100.000.- denomination)

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#### INTERNATIONAL COMPANIES

## High interest rates help push Christiania into red

of this year.
In the same period last year
the bank posted a net profit of
NKr438m. Group operating
profit, before taxes and allocations, slid to NKr126bm in the
eight-month period from
NKr156bm last year, as credit
losses rose to NKr132bm from
NKr911m.

"The decrease in operating profit before actual and esti-

CHRISTIANIA, Norway's second biggest bank, yestenday amounced it had piunged into a net loss of NKr123m (\$20.2m) during the first eight months of the period that year.

In the case region we are region as a consequence of an increase in non-performing for loans which saw their value drop with Norway's property market.

After taxes and credit loss provisions the group slid into an operating deficit of NKrfilm. rates throughout the period were higher than during the first eight months of 1989," Christiania said.

Mr Sverre Rostoft, Christiania's president, characterised the bank's situation as "very serious" but stressed it was far from a crisis.

Christiania explained that the increase in credit losses from the first to the second interim - a rise of NKr964m profit before actual and esti-mated loan losses is due to a commercial loans which had last measure we take to depressed net interest income gone bad and partly to a costs," Mr Rostoft said.

After taxes and credit loss provisions the group slid into an operating deficit of NKr61m, compared with an operating profit of NKr670m in the same period last year.

Christiania pledged to reduce operating costs which had risen to NKr2.24bn from NKri.85bn. "We cannot guarantee that there will be no redundancies, but we can say that redundancies will be the last measure we take to reduce

## FCB makes friends and influences advertisers

Alice Rawsthorn on successful links at a US agency

he creative department of the Foote Cone & Belding advertising agency in Chicago looks like a set from a television mini-series. Some people loli on sofas swapping superlatives about the latest David Lynch movie. Others toss nickels into an artificial waterfall.

A few floors above the

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A few floors above, the self-conscious chaos of the creative department turns into the orderly white walls and black leather chairs of FCB's corporate offices. It is here that FCB's board oversees its adver-tising agencies in North Amer-

ica and Europe and plans its next move into Japan.

A few years ago FCB was in the doldrums. After years of the dolutions. After years of lacklustre profits it was the target of a predatory group of Californian investors. When other US and UK agencies were expanding aggressively in the infernational arena, FCB was little more than a bit player in the important markets of Europe and the Asian Pacific.

Be here now, benied therefore.

It has now hauled itself out of the doldrums. Recently, the company amounced a fall in net income to \$8.82m from \$9.12m on revenues of \$156.92m for the first half of 1990, yet it is still a popular stock among the Wall Street advertising

analysts.
Thanks to its alliance with Publicis, the French agency, it is one of the largest forces in international advertising. Its US agency was recently voted 'Agency of the Year' by Adwert magnifications.

Week magazine.
The catalyst for FCB's recovery was the Publicis deal. Hitherto it had been strong in North and South America but was weak elsewhere. This was weak elsewhere. This meant it not only ran the risk of missing out on the growing market for international accounts, but also faced the threat of losing its existing business if its chemis consolidated their accounts into inter-

national agencies. "We were in the second divi-sion on the international scene," said Mr Norman Brown, chairman and chief executive. "For a client like Colgate Palmolive we were a coincidental agency, not a chib agency, and we were very vulnerable."

Publicis was in the same position. It was the biggest agency in France with a respectable European network. But it had no involvement in the Asian Pacific and its US presence was restricted to one small office in New York.

The two agencies had sev-eral clients in common and few in conflict. Two years ago they agreed terms for a share swap whereby FCB took 26 per cent of Publicis and the French agency held 20 per cent of its US pariner.

Together they became the higgest agency in Europe and the world's fifth-largest marketing group. FCB had also secured a blocking stake against potential predators.

Japanese partner. The involve-ment of western agencies in Japan has been restricted to joint ventures working on non-Japanese accounts.

Mr Brown envisages a more ambitious venture involving equity participation. But the problem of finding a suitable partner - most leading Japa-nese agencies are linked to western companies - and the Asian tradition of lengthy negotiations is holding up the



FCB:Publicis' competitors and critics - generally the same in the advertising indus-try - claim the alliance will never work because interna-tional advertisers need to deal with homogeneous networks, not partnerships.

Mr Brown claims that the

concept of a partnership is part of FCB's culture. It has always favoured a decentralised management strategy. Its US interts are divided between thre virtually autonomous agencies in Chicago, New York and Los Angeles. He concedes that Pub-licis' culture is different. The French agency is cast in a patrician mould under the influence of Mr Marcel Bleustein-Blanchet, its founder.

one the less, says Mr Brown, the alliance has won new accounts. He cites examples of business from Colgate, Nestlé and Phil-ips-Whirlpool which, he says, neither agency could have won alone. The next move will be into Japan. FCB has an Asian network, the product of an acquisition some years ago. But neither agency is present in Japan, the world's second-

largest advertising market after the US.

In the meantime FCB's chief cause for concern is the US. Cause for concern is the Us.
Ostensibly it should have no
worries at all. It does, after all,
have the Ad Week accolade
under its belt. And its latest
commercials — such as the new Levi jeans campaign directed by Spike Lee, the con-

troversial film maker - have attracted lots of attention. FCB has also resolved its problem in Ne acquisition of Leber Katz, a Manhattan agency, not only boosted its business in the area but has given it an edge in the new field of integrated market-

ing services.
FCB/Leber Katz is pioneer ing the concept of a marketing consultancy offering a full range of services through its ICG division.

The US agencies have also own a great deal of business. In theory revenue should be rolling in. But it is not. The fragility of the US economy and the cloud of the Gulf crisis has forced many advertisers to reduce expenditure.

acquisition some years ago.
But neither agency is present in Japan, the world's secondlargest advertising market after the US.

FCB:Publicis has been searching unsuccessfully for a really terrific year," said Mr Brown. "Instead we are having a good year. We are running faster just to stay in the same place."

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#### Safeway earnings soar 190% SAFEWAY Stores, the Californian supermarket chain sales gains. Operating and sales gains. Operating and administrative expenses were aged buy-out by Kohlberg Kravis Roberts in 1986, yesterday reported strong growth in Wark Stack Rychenes. quarter, compared with 3.7 per cent in the first nine months. For the first nine months of 1990, Safeway's net income was \$59.4m or 63 cents on sales which grew 4 per cent to \$10.2bn, against \$23.5m or 31 cents on sales of \$9.81bn. aged buy-out by Kohlberg Kravis Roberts in 1986, yester-day reported strong growth in third-quarter net income, on IL VENA sales which rose 4.5 per cent. For the three months ended Other income surged to September 8, Safeway posted earnings of \$20.8m or 21 cents a

which have been listed on the New York Stock Exchange since April, added \$\%\$ to \$12\%\$ by midsession yesterday.

Mr Peter Magowan, chairman and chief executive, said:
"Operating results continue to be excellent in 1990, despite only moderate sales gains and increased competition in certain regional markets. \$28.Im in the nine months against only \$3.3m in 1989. The company attributed the improvement to higher income share against \$7.1m or 9 cents year earlier. Sales advanced to \$3.46bn from its 35 per cent stake in Vons, a southern California-Operating profits in the tain regional markets.

Quarter grew 14.4 per cent to Safeway's operating profit way record income from Von \$127.6m from \$111.5m, thanks was 3.7 per cent of sales in the on a one-quarter delay basis. based supermarket chain. Safeway record income from Vons

## US bank set to miss ENTel bid deadline

By John Barham in Buenos Aires

MANUFACTURERS Hanover's hid to take over half of ENTel, Argentina's telephone com-Argentina's telephone com-pany, appears likely to fail today, as the group of investors led by the bank has still not finished putting together the cash and debt-for equity pack-age to pay for ENTel. But the government has refused to extend today's dead-line of 6pm local time for sign-ing the contract if the group

ing the contract. If the group misses the deadline, it will cast a shadow over the Argentine government's privatisation programme, which includes the sale lease or concession of dozens of loss-making state

Hanover, with its partners Bell Atlantic and local investors, were to pay \$100m in cash plus \$2.3hm in Argentine debt certificates for ENTel's operations in the north of Argentina.

the north of Argentina.

However, the group comprising Citibank, Telefonica de España, the Spanish telephone company, and Techint, an industrial group, should sign its contract for the southern zone on time. The group should deliver \$114m in cash and \$2.7m in debt paper on Monday, when the government will hand over ENTel.

President Carlos Menem has

companies. Manufacturers ily operate ENTel's northern of the loss making companies.

zone until a new buyer was found. He said a group led by J.P. Morgan and the French and Italian state telephone companies, third in the hidding for ENTEL, was the likellest contender to replace Manufacturers' Hanover.

The sale of ENTel is Mr Menem's first significant privatisation. It is to be followed with the transfer of Aerolineas Argentinas, the national airline, to Iberia and Argentine investors. But, the privatisation programme has degenerated into a messy ad hoc process as the government moved President Carlos Menem has cess as the government moved at breakneck speed to rid itself







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#### **Asset sales** planned by **Elders** Resources

By Terry Hail

ELDERS RESOURCES NZFP. the New Zealand resources group recently acquired by Carter Holt Harvey, plans to raise more than NZ\$1.3bn (US\$804m) from the sale of its non-forest assets over the next six to nine months, said Mr Richard Carter, executive

chairman, yesterday. The company announced a NZ\$972m loss on Friday. Carter Holt Harvey, the country's biggest forestry owner which has a controlling 52.7 per cent shareholding in Elders Resources NZFP, announced its intention to concentrate the company on forestry interests some time

Mr Carter yesterday detailed the assets to be sold. They include the group's Simsmetal recycling operation which has turnover of A\$600m (US\$500m) a year and operations throughout Australia and California: its goldmining operation; a 49.6 per cent stake in Bridge Oil, an oil and gas company; its mining ser-vices; a finance company; and a US property division. Last month the company

sold its majority stake in Oak-bridge, a New South Wales coal producer, and its shareholding in Kaiser Engineers and Latec Investments. Mi Carter said the intention was to maximise the value of the assets being sold.

#### **Sun Hung Kai** Properties up to HK\$2.47bn

SUN HUNG Kai Properties, one of Hong Kong's biggest property developers which is controlled by the Kwok family, yesterday reported a 22 per cent increase in after-tax profits to HK\$2.47bn (US\$318m) for the year ended June 30, writes John Elliott in

Hong Kong.
During the year sales totalled HK\$5.43bu, 19 per cent higher than the HK\$4.57bn achieved in the pre-vious 12 months. Investment properties now being developed total 7.4m sq ft and the company's land bank totals

A final dividend was declared of 48 cents a share, making a total of 77 cents with a 29 cent interim.
A special cash bonus of 15 cents a share is also being rec-

## Lion Nathan sees gain from **Bond Brewing this year**

By Terry Hall in Wellington

LION NATHAN, the New Zealand brewing group, expects a small contribution from its investment in Bond Brewing this financial year, said Mr Douglas Myers, chief executive, yesterday. He said his company had fin-

alised the joint venture agree-ment with Bell Resources under which Lion would manage Swan, Tooheys and Castle-maine Perkins, the three lead-ing Australian brewing companies, and a substantial liquor distribution business. The agreement makes Lion Nathan the region's biggest brewing company.

Mr Myers said that the joint venture, National Brewing, would not distribute cash prof-its as dividends in its first year as it was committed to spending A\$70m (US\$58m) on its new 50-litre standard kegs.

Mr Myers will be chief execu-tive of National Brewing. Chief operating officer will be Mr Kevin Roberts, who has the same title at Lion Nathan. One of the biggest problems the Bond group faced was the loss of market share during the prolonged struggle for control and marketing problems. Mr

Myers said that while its share of the market had fallen from 45 per cent to 38 per cent over the past three years, latest fig-ures showed that in the past three months it had crept back to 40 per cent.

He said that settlement of the ownership problems would help the three breweries to become more competitive with Fosters, which has about 50 per cent of the market.

Lion Nathan's proprietary ratio rose from 49 per cent to 56 per cent this year, but with this deal it dropped to 47 per cent, though the asset sales would improve it next year, he

Lion Nathan's total investment is A\$390m, which will fall to A\$330m when Bell Resources equalises its investment. It has until August 1 to do so. Mr Myers said that with a question mark over the financial health of Bell Resources, it was still expected to be able to go ahead with its half of the venture. But if it could not, it would have to offer its shares to Lion Nathan. buy-back of US-subordinated debentures totalling US\$510m

cents in the dollar. To buy its half of Bond Brewing, Lion Nathan has sold NZ\$320m of

Naman has some Naman or assets in the past year.

In the last five weeks, knowing the deal was to proceed, it has arranged A\$1bn to get a new syndicate in place of Bond Brewing's previous syndicate.

Western and the Benk of Westpac and the Bank of New Zealand are backing the company in New Zealand, while the new Australian syndicate is made up of the ANZ Bank, the National Australia Bank, State Bank of New South Wales and the Toronto

Dominion Bank. The notional balance sheet of the new company shows shareholders' equity and advances of A\$655m and term debt of A\$875m, brewing and associated liquor assets of A\$1.44bn and other assets. including future tax benefits of

Mr Myers said that with about 50 lawyers involved worldwide in the signing of the documents, some details still remained to be finalised but the whole transaction should be completed by the end of this

## Venture targets Asia life market

By Kevin Brown in Melbourne and John Elllott in Hong Kong

COLONIAL Mutual, the Australian life office, and Jardine Matheson, the Hong Kong business house, yesterday announced plans to set up a joint venture to develop life insurance businesses throughout Asia.

Mr John Milburn-Pyle, managing director, said Colo-nial Mutual would pay A\$30m (US\$25m) for a 50 per cent share in Jardine's two existing life businesses, Jardine Life Assurance in Hong Kong and Lincoln Philippine Life Assurance in the Philippines.

controlled from Hong Kong by a new joint venture company, to be called Jardine CMG

The joint venture company will also control CMG Consulting Services, a Colonial Mutual subsidiary established in Singapore to provide support skills to financial services businesses in the vectors.

in the region.

Mr Milburn-Pyle said that
Colonial Mutual had sought a
strong and respected partner to assist its expansion in the Asia/Pacific region, where Jar-dine Matheson has long experi-

Mr Bob Sutton, managing director of Jardine Matheson Australia, said there were huge opportunities for the life assurance industry in the region, where demand was rising strongly in line with improving

living standards.

Jardine Life Assurance said yesterday that initially Jardine yesterday that initially Jardine CMG planned to establish operations in all the key Asian Pacific markets, except the west coast of North America and those countries where Colonial Mutual already has operations such as Australia and New Zealand.

## Poseidon drops Newmont move

Robert Champion de Cres-pigny's Normandy-Poseidon group, said it had abandoned its plan to purchase Newmont Australia, the gold mining company, Reuter reports from

This follows the announce ment on September 24 that Newmont Australia planned to merge with BHP Gold Mines, creating a company with a market capitalisation of more

This announcement appears as a matter of record only

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POSEIDON Gold, part of Mr Robert Champion de Cres-annual gold output of 750,000

Poseidon Gold said it would not proceed with its August 28 bid of two of its shares for every Newmont share because of the merger plan.

Poseidon Gold said the merger would create a com-

pany with share capital 73 per cent larger than the one it sought to purchase, and Newmont could cease being a gold producer if the merger pro-ceeded, or turn into an investment company if 100 per cent acceptance was not achieved. "Posgold considers that the level of uncertainty surrounding the future structure of Newmont Australia makes it unwise for Posgold to proceed with its bid," Poseidon Gold

But it said it would retain its 19.99 per cent stake in New-mont Australia.

#### Nikkei rally boosts offer in Singapore

By Joyce Quek in Singapore

TUESDAY'S rebound in the Japanese stock market helped the public offering in Singapore of Provision Supplies Cor-poration, the local mini-super-market operator, which ended 2.3 times subscribed.

This subscription rate fell

short of those of recent issues anort of those of recent issues but most market observers agreed that under the circum-stances, the outcome was good. Until the Nikkei average's surge on Tuesday led to a worldwide wave of rebounds, there had been concern that the offer of 20.88m shares at 60 cents each might be undersubcents each might be undersub-

There were 7,252 applications for a total of 47,98m shares with application money total-ling \$\$28.8m (US\$16.5m).

Provision Supplies Corp is a chain of mini-supermarkets which, though not as interesting as the offers closing next week of Singapore Petroleum Company and Kay Hian James Capel, the stockbroker, is seen as a solid stock with a steady stream of earnings over the next few years.

#### Saudi bank up 28% despite

UNITED Saudi Commercial Bank (USCB) yesterday reported a 28 per cent rise in its net profit during the third quarter of 1990, despite the tur-moll in the Saudi banking sec-

moil in the Saum canking sector following Iraq's invasion of Kuwait on August 2, AP-DJ reports from Manama.

USCB, the first Saudi bank to announce its third-quarter results, said its performance "has not been materially effected by the California". quarter, up from SR28.3m in

customer deposits during the quarter, in common with all the Saudi riyal

#### Sachs fund for recovery takes \$783m

Goldman

By Nikki Talt in New York

GOLDMAN SACES, the US investment bank, has raised \$783m from institutional and private investors for its Water Street Corporate Recovery Fund, making the new invest-ment vehicle the second largest in a crop of "turnround funds" created this year. The fund was formally

aunched in April, and closed at the end of September, although final size was only announced yesterday. Goldman is putting \$100m into the fund which, it said, was the interest belief learned the investment bank's largest sin gie investment other than in its own properties.

With the demise of the bull-ish, bid-frenzied conditions of

the late 1980s and the onset of recession in the US, interest in investing in distressed companies' stocks has grown on Wali Street. About two dozen "turnround" funds are reckoned to have been set up in 1990. At the outset, Goldman did not specify the amount of money it expected to raise for the Water Street fund, but set a minimum level of \$400m. Like many Wall Street players, the investment bank has raised, and run, a leveraged buyout fund in the past, but this was considerably smaller

than the new vehicle. Investors in the Water Street fund range from pension funds, including those of Du Pont and Ametek, to insur-ance companies, banks and private individuals. Goldman said that about 70 per cent of the funds raised had come from US-based investors and

the rest from overseas.

The fund intends to take an "active investment role" with respect to its holdings, and plans to acquire "substantial

So far, Goldman says that about \$200m has been invested in some 14 situations, of which 10 represent "significant hold-

In some cases, Goldman said that it had acquired up to 40 per cent of the relevant class of securities.

#### **Duracell** in \$450m refinancing

By John Thornbill DURACELL, the US battery

company which went private in a \$1.86bn leveraged buy-out in 1988, has concluded a \$450m refinancing deal with

nine banks.

The six-year multiple option facility, available in Belgian francs, sterling and Italian lira, was agreed with Bank of America and First Chicago. The seven lead managers were BBL, Banco Commerciale Italiano, Crédit Agricole, Bankers Trust, Manufacturers Hanover Trust, Continental Illinois and Trust, Continental Illinois and Chase Manhattan. The pricing of the facility

starts at 1% percentage points over London interbank offered rates, stepping down to Libor plus 1 point within two years if the company meets financial

targets.

The facility will be used to refinance existing bank debt incurred at the time of the buy-out, arranged by Kohlberg Kravis Roberts. It will also more closely align Duracell's debt in Europe with the size of the coverations.

its operations.

The facility will reduce Duracell's borrowing spreads by nearly \$5m a year, beginning in the next fiscal year.

Duracell's latest year report for the year to June 30 1990 revealed that total debts outstanding still stood at \$1.4hm, although the company's strong cash flow has enabled it to make debt repayments ahead of schedule.

#### Finland plans to raise \$250m to \$300m this year THE Republic of Finland plans

to borrow a further \$250m to \$300m in the capital markets this year and between \$300m and \$1bn next calendar year, Reuter reports from London. Dr Kari Nars, Finland's

chief financial counsellor, said Finland was not a regular capital markets borrower compared with other Nordic countries. "Our current account deficit and the need to borrow is not

due to lavish government

spending, but productive investment," he said. Finland's cost of borrowing may be affected by last month's decision of US credit-rating agency Moody's Investors Service to place the country on credit-watch for possible

downgrading. Moody's is expected to reach its decision on the rating by the middle of this mouth, Mr

#### INTERNATIONAL CAPITAL MARKETS

## US Treasuries dip at long end after profit-taking

By Karen Zagor in New York and Tracy Corrigan in London

THE PROSPECT of lower interest rates was not enough to support the long end of yesterday's bond market, which suffered from profit-taking in the morning and extended its losses in the afternoon. In late trading the Trea-

sury's beliwether 30-year bond was off it point at 981, yielding 8.86 per cent, while shorter-dated maturities were modestly higher throughout the day.
The Federal Reserve entered

the open market to arrange overnight system repurchase agreements when Fed funds, the rate at which banks lend to each other, were trading at 8% per cent. The funds ended the day at 8% per cent.
Although the Federal
Reserve has often used over-

night system repurchase agree-ments to signal an easing of monetary policy, yesterday's move, which adds reserves to the banking system, was seen as purely technical, to combat

#### GOVERNMENT **BONDS**

the firmness of the funds. It is believed that the target for Fed funds is still 8 per cent. Monetary policy remained the prime concern of yesterday's bond market. Mr Alan Greenspan, chairman of the Federal Reserve, said last month that the Fed would ease after a "credible" budget pack-age was reached. Yesterday, Mr Greenspan referred to the weekend's budget accord as "credible" and "enforceable," but did not say when the Fed might ease credit.

It is, however, widely believed that the Fed will ease

BENCHMARK GOVERNMENT BONDS 101-20 -01/32 12.53 12.66 84-19 +01/32 11.74 11.91 83-22 +01/32 11.11 11.27 IIS TREASURY \* No 119 4.800 6/99 52.3804 -0.143 8.28 8.70 8.12 No 129 6.400 03/00 91.5777 -0.597 7.94 8.25 7.73 8.500 08/00 98.5800 -0.200 9.04 9.12 8.00 FRANCE BTAN 9.000 11/95 94.7400 -0.162 10.36 10.46 10.47 OAT 8.500 03/00 88.1200 -0.260 10.52 10.84 10.41 10.500 07/00 96.1000 -0.600 11.16 12.43 10.72 9.000 07/00 98.4500 -0.080 9.24 9.30 9.10 13.000 07/00 97.2742 0.000 13.50 13.71 13.57

once Congress approves the budget package. Analysts at Griggs & Santow expect a new

target of 7% per cent. INTERNATIONAL bond markets rallied in late European trading on Wednesday, encour-aged by indications from Mr Greenspan that the recent bud-get deficit reduction accord will facilitate an easing of mar-

ket policy by the Federal If short-term rates drop, the resulting fillip to the US band market would likely follow into the UK, as well as underpin-

ning sterling.
Gilt prices rose % point to % point, with buying concentrated at the longer end of the market. Investors have been slow to absorb the positive implications of the economic slowdown for the glits market, partly because of the UK's uncertain inflation outlook, dealers said. The long gilt future ended at 834, up from Tuesday's close of 824.

**JAPANESE** government bonds improved fractionally in London trading.

Dealers say there are still a lot of short positions in the market. The benchmark number 119 ended at 8.28 per cent in London

THE French bond market failed to improve, due to a rather nervous tone ahead of today's FFr7bn to FFr9bn Treasury auction. Prices ended unchanged, as trading remained confined to its recent narrow range.

THE German bond market was closed for the unification day holiday.

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• SPANISH electrical utility Hidroelectrica Espanola (Hidroela) has set a seven-year, \$300m multicurrency loan Banco Espanol de Credito (Banesto) said as co-arranger with Banco Bilbao Vizcaya (BBV), Reuter reports from Madrid.

#### Hungary set to borrow \$2.2bn in 1991 NBH has tapped foreign lend-

HUNGARY will probably have to borrow \$2.2bn from foreign creditors next year to service its debt, Renier reports from udapest. National Bank of Hungary

said the country planned to borrow between \$1bn and \$1.2bn from international financial agencies - including the World Bank and the International Monetary Fund - and from the European Commu-

nity.
The balance will come from NBH bond issues on interna-tional capital markets. The

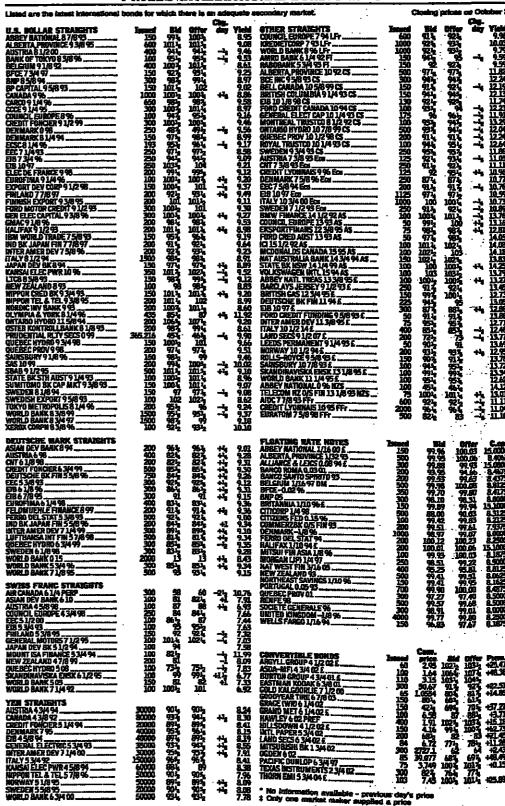
ers for \$2bn so far in 1990 and will probably borrow another \$500m before the end of the year. NBH said its foreign debt in convertible currencies stood at \$20.5bn at the end of June, \$600m less than at the end of The hank said Hungary was

preparing a three-year credit agreement with the IMF giving it access to \$250m special drawing rights over the next three years. Approval for the loan hinges on whether the IMF accepts Hungary's steps omy along free market lines. An IMF delegation is due to visit Budapest this month, when Hungary will probably request an extraordinary loan to help finance the damage caused by severe drought, the collapse of the Comecon east-ern bloc trading system and the sharp rise in oil prices as a result of the Gulf crisis. Hungary also expects to get about \$300m to \$400m from the

World Bank next year, and will have access to a \$300m tranche

of an EC loan signed this year.

FT/AIBD INTERNATIONAL BOND SERVICE



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Gazzarioù RATE NOTES: Denominated in dollars unless otherwise Indicated. Co

Floatiniù reta illineas-month Sabova mass: rate) for US dollars. Capa – The outrest;

October 4, 1990, London

By: Citibank, N.A. (CSSI Dept.), Agent Bank

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> abovementioned loan, herefree distribution of new shares of common stock of the combeen adjusted into Jap. Yen 2.012,9 per share of common stock of the company effective

Amsterdam, 3rd October 1990 DE TWENTSCHE TRUST MAATSCHAPPII N.V.

FUJI PHOTO FILM CO. LTD. 43/4% Convertible Bond loan

October 1990

**County NatWest Limited** 

The undersigned, trustee for with announces that due to the pany, the conversion price has

as from October 21, 1990,

tension in Gulf

affected by the Gulf crisis".

Net profit amounted to SR36.3m (US\$10m) in the third the same period of 1989. However, the bank suffered a considerable withdrawal of

the kingdom's commercial banks. Initial fears that Iraqi troops might advance into Saudi Arabia led to a run on bank deposits as residents switched their money out of

#### **INTERNATIONAL CAPITAL MARKETS**

#### Insurer in Sch200m preference share launch

By Tracy Corrigan

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BUNDESLANDER, Austria's second largest insurance group, plans to launch an Sch200m offering of non-voting preference shares, including a substantial international trancks, despite the doldrums in the world's stock markets.

The comments will use the The company will use the proceeds to finance expansion

The issue of up to 2,000 shares, to be priced on October 22, will be underwritten by 22, Will be underwritten by Raiffeisen Zentralbank. The preferential dividend is expec-ted to be 6 per cent, and the offering period runs from October 23 to October

Bundesländer plans to set up in business in Hungary. The company has made over-tures to two Czechoslovakian firms, with a view to starting joint ventures so that it can conform to the country's Reen-

sing requirements.

Bundesländer also plans to pursue expansion in the European Community, through joint ventures with international partners such as UAP of

The Austrian insurance company selected Czechoslo-vakia and Hungary as target markets because of the cultural affinity between the countries, according to Dr Walter Petrak, chief executive of Bundesländer. He believes there will be a surge in demand for insurance in easi-ern Europe, particularly life insurance, as the economy

grows.
This is the company's first public offering of preferred stock, but international inves-tors have built up substantial holdings in Bundesländer's participation certificates, issued in the Austrian market

in 1987.

Because the net asset value of the company's property is calculated according to original purchase prices rather than market prices, the real value is at least 10 times the book value, according to page.

Despite the weakness in international stock markets, the company is able to raise cheaper funds by issuing equity than debt.

## 'Little dragon' share markets take stock of liberalisation

John Ridding examines the effect of current depression on moves to open South Korea and Taiwan to foreign investors

ntil recently the fastest growing in the world, the share markets of South Korea and Taiwan are now among the worst performers. Seoul's composite share index is more than 40 per cent below its April peak while Taipei's share market has fallen 30 per cent since Febru-

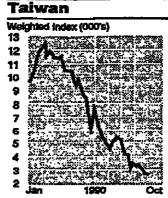
ary.

Like much else about South

Korea and Taiwan, the flercest
of east Asia's "little dragon"
economies, the behaviour of their stock markets and the challenges facing their securi-ties industries appear similar. Both stock markets have enjoyed rapid growth on the back of booming liquidity, fuelled partly by large trade surpluses: both have been highly speculative with indi-vidual investors playing a But the similarities are also

Most importantly, the depression in the two markets is prompting different reactions to the process of financial liberalisation which aims to open both markets to foreign investors.

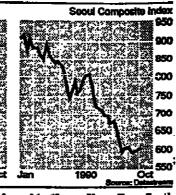
in Taipei, the Securities and Exchange Commission recently announced plans to accelerate liberalisation and bring forward to early 1991 the date for the opening of the market to foreign institutional investors.



In contrast, the decline of the market has raised fears in Seoul that the pace of liberalis-ation might slow.

Domestic securities compa-nies lead a vocal lobby. They are demanding a revision to the timetable which says foreign brokers can establish branch offices from 1991 with

direct foreign investment the following year.
Opponents of liberalisation argue that at a time of market weakness it will enable foreigners to buy into Korean companies at undervalued prices. At the same time, they say that the domestic securi-ties industry is ill prepared to



South Korea

Mr Chung Yong Euy, South Korea's finance minister, has reiterated his commitment to open markets in 1992. He con-firmed last month that foreign brokers would be allowed to set up branch operations in Korea from next year. None the less, the sheer pace at which liberalisation is being pursued in Taiwan illustrates vividly the difference in financial aims and attitudes between the two countries. Part of the difference is personal Taiwan's apparent haste is to some extent a reflection of the character of Mr Wang Chien Hsien, its finance minis-

ter. "I just want to do things

more quickly. My personality is like this. I walk very quick

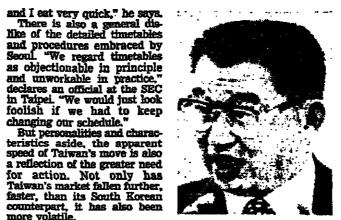
and procedures embraced by Seoul. "We regard timetables as objectionable in principle and unworkable in practice," deciares an official at the SEC in Taipei. "We would just look foolish if we had to keep changing our schedule."
But personalities and charac-

speed of Taiwan's move is also a reflection of the greater need for action. Not only has Taiwan's market fallen further, faster, than its South Korean counterpart, it has also been more volatile. Individual investors typi-

cally account for almost 90 per cent of trading, compared with

about 60 per cent in Seoul. Large unlicensed investment houses have used their sub-stantial assets to generate fluc-tuations in the market, which has often turned over its entire capitalisation in one month. For Mr Wang and his col-leagues, therefore, the market opening scheme has two main purposes. Most immediately, it will assist in rescuing the market from current low levels. But it will also increase the influence of more stable insti-tutional investors. In South Korea, by contrast,

the admission of foreigners as a means to boost the market is



Wang Chien Heien: I walk very quick and I eat very quick'

not the principal concern. Instead, the worry that international investors – particu-larly Japanese – could buy equity in Korean companies on the cheap has tended to represent a greater disincentive. "In that respect we have a less wall developed sense of xeno-phobia," quips one Taiwanese broker. The incentives for Korea are:

to satisfy international demands for capital market liberalisation, to improve the competitiveness of the local industry and to receive reciprocal treatment for Koreans looking to invest or raise

But complaints that Taiwan is moving more quickly in addressing these needs are perhaps misleading.

In most respects, Korea has already progressed further than its east Asian rival. Taiwanese companies have launched only one, unsuccessful, equity-linked instrument on the international market while Korean groups have been regularly tapping international markets since Samsung Elec-tronics issued the first Korean convertible bond in 1985.

Although most recent issues have been postponed because of the condition of the underlying market, foreigners wanting exposure to Korean equities have about a dozen convertible bonds and bonds with war-rants, and about 10 different internationally traded funds to choose from. In Taiwan the choice is one bond and three

he latest measures announced by the Tai-wanese authorities are also more conservative than they initially appeared. Foreign investors are required to keep their investment capital in Taiwan for a full year, are allowed to repatriate profits only once every 12 months and must use local brokers for their transactions. The maxi-

13/5 Nippon Credit Int.

coupon of 9 per cent.

mum investment allowed by any single investor is \$50m. In Korea limits are likely to be placed on investments, and most analysts expect a ceiling of between 5 and 10 per cent on foreign ownership of each quoted company.

adviser on financial policy predicts that "the opening will not be limited to institutions, nor will we place such strict requirements on capital flows". But many, particularly for-eign securities companies, remain to be convinced. "The assumption has always been that a number of conditions must be satisfied for market opening," says Mr Todd Kil-born, director of research of James Capel in Scout.

The market would have to be strong, interest rates would have to come down to prevent a large capital influx, inflation must be under control and the exchange rate must be stable. These conditions haven't been met and i wouldn't be sur-prised if we see some back-pedalling on liberalisation." But for Korea as well as Taiwan, what is clear is that liberalisation will continue to be a gradual, cautious process. Despite their differences in approach and aims, both will

tory chains which have bound their financial systems.

## NatWest in variable-rate deal

By Simon London

NATIONAL Westminster Bank moved yesterday to bolster its capital ratios with a \$250m subordinated variable rate note issue. The issue will count as lower tier-two capital under the Basle accord on international banks' capital adequacy.
The 10-year paper will pay a first coupon of 0.1875 percentage points over the three-month London interbank offered rate, after which the coupon will be set by agree-ment between the issuer and Salomon Brothers, the sole lead manager. If no agreement can be reached, the spread will revert to 60 basis points over

three-month Libor. National Westminster with the subordinated variable-rate note structure, of which two have been via Salomon Brothers

Several more VRN issues are expected before the year-end, as European banks act to maintain capital adequacy ratios. However, analysts note that the capital requirements of European banks are sub-stantially less than Japanese

INTERNATIONAL BONDS

institutions, which have raised \$4hn in subordinated floatingrate debt in the last month. The European Investment Bank followed Tuesday's matador issue with a long-dated \$56.516m floating-rate issue via J.P. Morgan Securities. The 18-year global note issue pays 10 basis points over six

and four by Merrill Lynch. month Libor. The deal has an unusually long maturity for an EIB issue, but was tailored for a particular customer with a requirement. The EIB also launched a BFron eight-year issue into the Belgian market vesterday.

A representative for the EIB said it had trimmed its borrowing programme, but this had been driven by a fall in demand from customers rather than difficult bond market conditions. In the past, the KIR has faced increased funding nand in the last two months of the year, and it remains to be seen whether this will materialise. He denied persistent market rumours that it planned a "jumbo" Ecu issue in the near future. Today, the Finnish Export

**NEW INTERNATIONAL BOND ISSUES** DOLLARS

Salomon Bros. JP Morgan Secs. Mitsubishi Fin, Mitsubishi Fin, Mitsubishi Fin, Nat.Westminster Bk(g)4 EIB(e)† ♦ Mitsubishi Capital(b) ♦ Mitsubishi Capital(c) ♦ 2/1 \ 2/1 \ Mitaubiahi Capital(d)∳ Nippon Columbia Co.(f)∳∳ MSS FRANCS 1995 12/14 Kredietbank NV

Corporation is expected to announce pricing of a \$300m three-year hand issue via Morgan Stanley.

The Innovation is expected to a coupon of 9% per cent, and november, Reuter reports.

A coupon of 9% per cent, and november, Reuter reports.

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The Innovation is expected to a coupon of 9% per cent, and november, Reuter reports.

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1992

gan Stanley.

The Japanese Finance Corporation for Municipal Enterprises has made a \$150m issue of 10-year Yankee bonds via Morgan Stanley. The guaranteed, triple-A rated bonds carry

 PaineWebber has priced
 \$500m of Real Estate Mortgage Investment Conduit (REMIC) securities. Collateralised Mortgage Obligation Trust Series Q was backed by Government National Mortgage Association pass-through securities with a

#### Hafnia shows pre-tax decline to DKr1.04bn

By Our Copenhagen Correspondent

HAFNIA, the Danish insurance and investment group, recorded a pre-tax profit of DKr1.04bn (\$176m) for the first half of 1990, com-pared with DKr1.22bn for the same period last year. Net profits were DKr661m, down from 1989's DKr725m.

Hafnia sald that its first-half result was satisfactory, given swings in currency and interest rates, but warned current international instability could influence full-year results.

While it did not expect an increase in tax this year, its results would be affected in the long run by the higher tax burden imposed on Danish insurance companies.

#### LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

FT-ACTUARIES SHARE INDICES											
* The Financial Times Ltd 1990. Compiled by the Financial Times Ltd											
in conjunction with the Institute of Actuaries and the Paculty of Actuaries											
EQUITY GROUPS	•	Vedne	day O	tober :	3 199	0	Toe Oct. 2	Mon Oct.	FT 5828	Year ago (approx)	
& SUB-SECTIONS	3. 3		Est. Earnings Yield%	Gross Div.	Est. P/E Ratio	zd adj. 1990					
Figures in parentheses show number of stocks per section	Ho.	Day's Change	Yleii% (Max.)	Yeld% (Act at (25%)	Ratio (Net)	1990 to date	Hadex No.	Notes; No.	ladex No.	index No.	
1 CAPITAL GOODS (196)	706.14	+0.9	15.80	6.72	- 7.74	29.40	699.53	690.10	675.36	961.01	
2 Building Materials (26)	905.73	+0.7	16.20	6.73	7.60	34.59	899.73	884.68	864.16		
4 Electricals (1.0)	1020,74 1026 07	+0.1	20.11 14.64	7.53 6.95	6.50 8.35	50,99 73.06	1054.96 1918.49	1038.21 1903.33	1028,06 1857,04		
5 Electronics (26)	1584 44	#15	10.60	5.40	12.89	75.05 56.74	1561.70				
6 Engineering-Aerospace (8)	430.27	+0.6	15.64	5.60	7.68	15.17	427.51	419.09	408.06	0.00	
7 Engineering-General (47)	370.88	10.5	16.17	7.00	7.44	15.76	369.01	366,70	361.71	0.00	
8  Metals and Metal Forming 60	408.45		27.90		4.36	17.02	401.65	390.74	384.16	4%.82	
9 Motors (13)	281.68	+0.7	18.14	8.43	6.42	14.26	279.71	276.28	267.73	376.21	
10 Other Industrial Materials (23) 21 CONSUMER GROUP (176)	1177.62	+1.4	14.04 10.56	6.80	8.23	56.53	1182.61	1171.08	1146.00 1123.61		
22 Brewers and Distillers (22)	1465 GD	+2.6	10.78	4.40 4.07	11.70 11.24	29.31 33.47	1415.63	1141.35 1394.45			
or! t 1 111	207.4		11.45	4.81	10.77	24.61	1001.58	985.43		1171.88	
25 Food Retailing (17) 27 Health and Household (16) 29 Leistre (32)	2321.33	+1.0	10.28	3.60	12.39	50.82	2297.43		2237.03		
27 Health and Household (16)	2425.58	+0.9	732	3.07	16.20	47,38	2404.88	2350.81	2292.65		
29 Leisure (32)	1161.87	+1.2	12.90	5.41	9.38	36.79		1134.32	1120.48		
· STI Lacingfill of Laber (15)	704.47	. TV	13.38	7.23	9.18	22.54	480.85	474.60	470,91	591.51	
32 Pablishing & Printing (14)	2805.23 747.59	-0.6 +0.3	12.80 11.84	6.66 4.99	9.78 10.99	118.55 18.26	2821.18 745.26	2795.71 737.69	2764.16 725.01	3/22,09 838,99	
35 Textiles (12)	406.60	+0.4	14.66	8.73	8.65	19.76	404.96	998 31	395.22	568.02	
40 OTHER GROUPS (107)	978.98	+1.1	12.92	5.99	9.38	31.51	967.92	956.55	937_04	1183.65	
41 Agencies (1.6)	1148.12	-1.0	9.46	2.89	12.83	22.00		1111.65	1070.84	1569.39	
41 Agencles (1.6)	1007.79	+1.3	13.18	6.61	8.97	46.23	995.06	973.65	955.26	1275.51	
43  Conglomeraties (1.5)	1300.10	+0.9	13.01	7.70	9.24	35.71		1264.67			
44 Transport (1.4)	1805.51 1077.76	+0.8 +2.1	13.41 12.14	5.80 5.07	9.45 10.72	65.20 25.09	1791_39	1761_60 1061_32	1740_24 1039,44	2307.78 1152.61	
45  Telephone recerons (3)	1939.19	-0.8	15.90	6.98	7.07	68.12	1954.69		1936.20	0.00	
	1540.15	+1.8	13.60	5.84	8.44	61.39	1512 19		1461.36		
49 INDUSTRIAL GROUP (479)	1006.54	+1.1	12.45	5.41	9.83	30.96	989.82	976.11	958.21	1208.10	
	2359.52	+0.9	10 56	5.29	12.39	84.75	2339.27		2314.52		
	1111.41	+1.0	72 15	5.39	20.17	35.28		1086.44			
	667.70	+22		7.10		33.27	653,49	544,77	630.28	800.90	
62 Banks (9)	712 58	+3.0	22.94	8.06	5.71	41.50	691.96	676.74	658.02	802.98	
65 Insurance (1 life) (7)	1308.54	#2.1	-	5.86		54,97	1282.19	1268.66	1248.26	1256.86	
66 Insurance (Composite) (6)	577.28	+25		7.35		27.35	563.05	556.50	537.62	659.55	
67 Insurance (Brokers) (8)	820.75	+25	10.91	7,88	11.98	40.46	800.86	774,04		1050.38	
68 Merchant Banks (7)	334.79	+1.9	8.70	6.11 5.60	- 15.18	12.31 24.52	328.57 862 14	325.46 864.62	324.23	410.11 1312.01	
69 Property (45)	868,34 235,19	10./	3./U 11.96	7,42	10.86	10.30	235.10	233,78		356.02	
71 Investment Trusts (66)	99L48	+0.3		3.98		24.36	489.67	971.12		1258 45	
91 Overseas Traders (5)	1159.41	+13	12.40	7.95	9.60	59.65			1115.30		
99 ALL-SHARE INDEX (674)	1003.28	+1.2		5.60	-	33.89	991.56	979.09		1172.99	
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. 2 3	British Government Up to 5 years 5-15 years Over 15 years Irredeemables	116.21 120.68 121.42	+0.07 +0.04	116.18 120.59 121.37 140.01	1111	9.71 10.23 9.84 8.85	201	Medica 5 years. Coopers 15 years. High 5 years. Coopers 15 years. Light 5 years. Light 5 years. Light 5 years. Light 5 years. Light 15 years.	12.10 11.53 11.24 12.17 11.79 11.54	12.10 11.54 11.25 12.18 11.80 11.55 11.13	11.21 10.04 9.62 11.32 10.24 9.77
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9	All stocks	98.91 72.25	-0.40	99.30 72.28	-	8.99 5.23	15 16 17	Debs 6. 5 years	14.37 13.18 12.77 13.10	14,16 13,08 12,71 13,09	11.59
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#### INTERNATIONAL APPOINTMENTS

## Mayne Nickless appoints member of board

'I can't believe it!' BUTIT'S TRUE. Not leaving a legal, valid Will behind you could mean that your family inherits only worry, heartache and hardship. They could even lose the family home that you assumed would be theirs by right. . . That's why you simply must make (or update) a proper Will, now, however modest your 'estate' may be. It's not

OUR FREE 16 PAGE BOOKLET tells you all you need to know about leaving money, property or other belongings to those who YOU want to benefit, and not to the tax man. It also explains how - if you wish - you can also leave something, tax free, to a deserving Charity

difficult, or expensive, but it is very important.

like the Distressed Gentlefolk's Aid Association. For over 90 years it has been helping to lift what now amounts to thousands of men and women - largely educated professional people, previously dedicated to helping others. Rescuing them, in fact, from the mental torture of bereavement, financial crisis and approaching frailty.

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#### THE DISTRESSED GENTLEFOLK'S **AID ASSOCIATION**

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Australian transport and security group, said that Mr R. Clark had accepted an invitation to join the board. Mr Clark, pictured right, recently retired as managing director of National Australia Bank, which he joined in 1946. Mr Clark will continue as executive director and consultant to the bank until July next year. He is also a director of year. He is also a director of Boral, the building industry group, and the IBM Asia Pacific advisory board.

Mr Bruce Redpath, Mayne Nickless chairman, said: "Mr Clark will bring to Mayne Nickless the advantage of his wast business knowledge and

vast business knowledge and experience gained throughout a long and very distinguished career in the banking indus-Eni, the Italian state-owned energy group, appointed Mr Enrico Ferranti as finance director, replacing Mr Giov-

anni Ciccone.

Mr Ferranti, 46, had a banking background when he joined Eni in 1977 to run its financial studies service. From 1986 he has been vice-director of finance for international finan-cial dealings and foreign cur-

rency balance. in January this year he also assumed the post of managing director of Emi International Holding, the sector-head company that manages Emi Group holdings abroad.

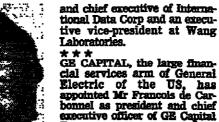


OWENS-CORNING Fiberglas said that Mr Max O. Weber had assumed the positions of chairman and chief executive, suc-ceeding Mr William Boeschenstein, who is retiring at the age

Mr Weber, 60, was formerly president and chief operating officer. Mr Boeschenstein will remain a director of the com-pany. Owens-Corning initially at its annual meeting in April.

manufacturer, named Mr J. Carl Mast vice-president of corporate marketing. He will be responsible for guiding the refinement and implementation of the company's line of business strategies on a world-wide basis.

Mr Masi, 49, was chairman



Europe. Based in Paris, his principal responsibility will be to develop venture, acquisition and start-up opportunities for GE Capital in Europe.

Mr de Carbonnel was for-merly president of Strategic Planning Associates, He holds many degrees from both French and American universities and has written several books on strategy.

\* \* \* FEDERAL EXPRESS, the US overnight delivery service group, has promoted Mr Wil-liam Razzouk to senior vice-president, sales and cus-tomer information.

In addition to administering US and international sales, Mr customer automation and inv-

He joined the company in 1983, and since 1988 has been serving as vice-president, US sales. He previously worked as vice-president and general manager at Rolm before the telecommunications equipment concern was taken over by

US-BASED Alexander & Alexander Services, the world's second largest insurance broker, has elected as deputy chairmen Mr William Wilson and Mr

Michael White. Chairman and chief executive Mr T.H. Irvin stated that the two, previously serving as executive vice-presidents, were joining him to form an office of the chairman. This is being created to enhance the opera-tional co-ordination of A&A's

Mr hvin added: "My decision to form an office of the chair-man reflects the globalisation process that we have been undergoing over the last several years."

MOBIL, the second largest US oil group after Exxon, said that Mr Richard F. Tucker had decided to retire on May 1 next year as corporate vice-chair-man and president of its Mobil Oil Corp subsidiary, He will then be 64.

From the start of next month Mr Tucker will undertake a broad review of Mobil's chang-ing business environment, and his administrative responsibilities will be lightened.

\* \* \*
TRANSLINK, the mergers and acquisitions advisory company specialising in arranging cross-border acquisitions in the European Community, announced the appointment of Mr Nicholas Bradshaw to its Paris office. Mr Bradshaw will join as a partner and managing director of Translink SA.

Translink, after recently strengthening its presence in London and after opening a Swedish office recently, is now further increasing its M&A staff in Paris.

GENSIA Pharmaceuticals A. Shapiro has joined the com-

pany as vice-president, clinical research, reporting to Dr Wal-ter Singleton, vice president of medical and pharmaceutical development.
Dr Shapiro will be involved in directing, planning and exe-cuting Gensia's clinical research programmes, according to Mr David F. Hale, president and chief executive offi-

MR CHARLES MANY WEE named president of NYNEX Network Systems, a subsidiary of NYNEX's worldwide information and callular services

group.

Before joining Network
Systems Company, Mr Many,
pictured left, was president of
NYNEX Mobile Communications Company where he was responsible for the supervision of the company's calcular telephone service, its retail and installation operations in the New York-New Jersey metropolitan area.

\* \* \*
ANGLO Irish Bank has appointed Mr Tim O'Grady Walshe as a non-executive director, Mr O'Grady Walshe

director, Mr G'Grady Waisherstired recently from the posi-tion of general manager with the Central Bank of Itsland.

A former president of the Institute of Bankers, Mr O'Grady Waishe has been a member of the EC Monetary Committee chairman of the Committee, chairman of the EC Banking Advisory Committee and a member of the Alternate Governors of EC Central Banks.

\* \* \* AUSTRALIA and New Zealand Bank has made three senior appointments in the Asia Pacific region following the private banking network in the.

Mr Michael Sharp has been appointed regional chief manager, Asia Pacific. He is based at the bank's newly-opened Singapore regional office.

Mr Sharp was previously assistant general manager, capital markets, at ANZ McCaughan Limited, the ANZ

Opposition to WHAT Y WHITE CO

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Group's merchant bank in Aus-Mr Jean Wets has been pro-

moted from ANZ's Geneva private banking subsidiary to become regional manager, South East Asia – Private Banking, also in Singapore.
Mr Eric Thelwell has been appointed regional manager,

North Asia – private bankin based in Hong Kong. Mr Thel-well was previously assistant

# 

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**FINANCIAL TIMES CONFERENCES** 

FT CITY COURSE 8 October-26 November

The FT-City Course is designed for employees in companies with interests in the City to provide a broader understanding of all aspects of the operations of the City of London and the factors that make it a pre-eminent financial and trading centre.

The twenty-four distinguished lecturers will consider such topics as the operations of the Bank of England and its relations with other central banks, the role of the clearing banks, merchant banks, investment banks and the operation of the discount market. The syllabus will examine the changing role of the building societies, the organisation of the commodity markets, the international Stock Exchange and the structure of the UK Insurance industry. The programme also looks at the new statutory systems of regulation and compliance. The course will compliance eight weekly afternoon sessions and will take place at the Museum of London. place at the Museum of London.

CAPITAL MARKETS WORKSHOPS 17-19 October; 21-23 November ; 5-7 December - London

The Financial Times/Price Waterhouse Capital Markets The Financial Times/Price Waterhouse Capital Markets Workshops, now in their third successive year, continue to bridge a significant gap in management training. The programme provides intensive coverage, supported by case studies of capital markets activities, ranging from underlying concepts through the specific markets and instruments, to practical guidance on key aspects of management and control of the business including operations, risk management and performance measurement.

Because of the participative nature of the Workshops, places are limited in order to allow maximum benefit from each session. Speakers are drawn from Price Waterhouse's Capital Markets Group and a panel of key Individuals from organisations involved in capital markets activities Including: Jonathan Britton of Swiss Bank Corporation London; Tony Cooper of Hambros Bank Limited; Bob Fuller of Charterhouse Bank Limited; Ariel Salama of Bankers Trust International Ltd; Richard Kilaby of Charterhouse Bank Limited; Richard Hines of Prudential Corporation pic; Chris Wingfield of Hill Samuel Bank Ltd and Jillian Nathan of the Chicago Board of Trade.

BUY OUTS - THEIR FUTURE 23 & 24 October - London

The Financial Times is arranging a conference on buys outs and their future which is designed to bring together buy outs specialists, venture capitalists, industrialists with operations to sell and managers wanting to buy the enterprises they run.

The conference will focus mostly on Europe and the prospects for the buy outs business in Britain, France; Germany with Italy receiving particular attention. The situation in the United States after the Drexel crisis will also be considered. The speaker list is impressive and the agenda has been drawn up in a way that will particularly interest those with knowledge of the business.

All enquiries should be addressed to: Financial Times Conference Organisation 126 Jermyn Street, London SW1Y 4UJ Tel: 071-925 2323 (24-hour answering service) Telex: 27347 FTCONF G Fax: 071-925 2125

ARTHUR ANDERSEN TAX AND LAW\* CONSULTANTS

#### **UK COMPANY NEWS**

## Polly Peck has | No great escape from tunnelling factory closure \$15m payment seized by bank

SDAY OCTOBER

CHARLES MAY I WANT I WA

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POLLY PECK International through the banking system.

Was yesterday facing a new PPI's main bank creditors was yesterday facing a new squeeze on its liquidity as it emerged that a \$15m (£7.94m) payment from one of its sub-sidiaries, PPI Del Monte Fresh Produce, was seized last Friday by one of the group's bank creditors.

The seizure is the first sign of any difficulties experienced by Polly Peck, or any of its subsidiaries, in using normal hanking channels to make payments around the world.

Were payment channels to selze up, the group would experience significant difficulties in

seeping its diversified interna-Reeping HS diversined interna-tional activities operating. Ironically, the \$15m was part of a pre-payment of a loan, made at a time when the rest

made at a time when the rest of the group was suffering a severe liquidity squeeze.

The payment was due to pass through the bank payment system when one of the banks handling the transaction refused to disgorge the cash. The bank, believed to be a UK institution, claims that it has a right to set the Del Mora a right to set the Del Monte money off against a debt due from PPI itself

Mr David Fawcus, deputy chief executive of Polly Peck, yesterday refused to discussibe payment. It is a matter for the hanks, and will be dealt with by banks. It will be discussed with the banks on Friday, along with other ques-

tions of liquidity."
Mr Fawcus declined to comment on whether Polly Peck had experienced any other dif-ficulties in making payments

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and finished products

industrial equipment

and Eastern Europe

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on the Yngoslav Market

Financial Transactions

Technology transfers

representatives offices worldwide.

chemical raw materials,

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40 years experience in:

precious and rare metals and iewellery

finished products and solid fuels

are due to meet at the end of the week to discuss a solution to the group's liquidity prob-lems, which were precipitated by its share price collapse and suspension on September 20.

The \$15m was due to be paid from Del Monte to Credit Sui-sse First Boston (CSFB), which would in turn pay the money out to a syndicate of banks to which it was due.

The money was due to pass through an unmamed UK bank to CSFB, but the bank refused to release the funds, claiming a right of set-off.

Under both US and UK law, banks have a right of set-off under common law, but this generally applies in limited circumstances. "You have to have total muhality — exactly the same entity making the payment and owing the money," one lawyer said yesterday.

(SFR is believed to be claim.

CSFB is believed to be claiming that this did not apply, since the \$15m belonged to Del Monte, while the debt was due from PPL

However, the lawyer added: "In situations like this, banks often take the view that possession is nine-tenths of the CSFB is understood to be out

of pocket, having peid \$15m of its own money to the banking syndicate in the expectation of receiving the money from Del Monte. However, most loan agreements state that agents have the right to claw money back from the syndicate in

ugometal

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**Howden Group** 

Turnover by area

Patrick Harverson on the health of Howden which has stopped heavy manufacturing at Renfrew

den Group, the Scottish engineering company, announced that it would no longer manufacture power station and tunnelling equipment at its plant in Renfrew, near Glasgow, thereby making 500 of its employees redundant in the process.

The decision to end heavy

manufacturing at Renfrew stunned the workforce and local community and came almost nine years to the day after the plant had been opened amid much optimism by Mrs Margaret Thatcher, the

When the announcement was made to drastically scale down operations at Renfrew, attention was focused on the blow dealt to the factory's prospects by the cancellation of a contract to supply power

station equipment to Iraq.

The loss of the Iraqi contract and the part-closure of Ren-frew is undoubtedly a setback for Howden. As a group it has enjoyed almost uninterrupted success since 1987, when it was forced to pull out of the wind power-generation business after calamitous problems with its equipment at a wind farm in California.

But it would be wrong to see

the Renfrew move either as an isolated side-effect of Iraq's aggressions in the Middle East, or as a full-scale retreat in the face of an approaching reces-

It is best seen as a tactical withdrawal at the end of an essential, if somewhat tardy. restructuring of Howden's nanufacturing operations. The reshaping of Howden during the 1980s saw it evolve from a small Scottish engineer-ing company which sold air-and gas-handling equipment

UK 22.9% 3.9% Continental Europe 9 TJ9.8% Austrella 8.8% Pacific Basin 15.6% Turnover by business Processing Air & gas handling & packaging 4% 95% 54% Ascospace •

for power stations in the UK and US, into a diversified group which manufactured and sold equipment worldwide for power stations, construction and mining projects, process-ing and packaging machines for the food industry, and aero-space technology to both the commercial and military sec-

Howden products vary from a giant tunneller which holds the record for drilling the lon-gest undersea tunnel in the world, to a somewhat smaller machine which puts the bub-

Before interest charges, 69

per cent higher at £956,000, operating profits improved by

10 per cent to £4.54m.
The group, best known for its Master Brew bitter, runs an

estate of 296 pubs across Lon-

Restructuring helps

midway stage.
The West Midlands-based galvanising and metal products

group raised pre-tax profits from £2.17m to £2.35m in the 26

on turnover down to £28.12m

(£35.76m). The first half also benefited

period bore a loss of £123,000.

**Derwent Valley loss** 

against £2.4m profit a year ago. The aborted deal meant

property trading profit was nil (£1.29m), although net rental

revenue from property rose to

of £197,000

£2.3m (£1.9m).

Ash & Lacy

535 (2).

bles into chocolate bars. In spite of these succes for the past year and a half Howden has faced one big problem with its manufacturing operations: insufficient orders for power station and tunnelling equipment to keep its two large manufacturing sites in Renfrew and Belfast

Construction & mining 28%

1990

busy.

The Belfast plant became site after the £9.5m acquisition in 1988 of the Davidson group, one of its main competitors in the industrial fan market.

- originally built to manufac-ture gas circulators and other equipment for the UK's advanced gas-cooled reactor (AGR) power stations fired by coal – in a precarious posi-

Demand for AGR equipment

had all but dried up after the government decided it pre-ferred pressurised water reac-

#### **NEWS DIGEST**

#### **Maunders** £1.8m land provision

JOHN MAUNDERS, the housebuilding group, has provided £1.79m against its land bank in the June 30 1990

This was reflected in pre-tax profits for the year, which declined 24 per cent, from \$7.14m to \$5.41m.

Mr John Maunders, chair-man, said the number of units sold rose from 676 to 695 at an average price of £82,000, against £78,000, and resulted in

turnover of £57.52m (£53.08m). The market, and consequently margins in the south, continued to decline, but demand in the north

remained fairly stable. There would obviously be no improvement until interest rates declined and some confidence returned to the home ownership market, he said. Operating profit came to £8.45m (£9.52m) while interest paid rose to £3.1m (£2.43m). Earnings dropped to 14.47p (19.1p); the dividend is raised to 4.95p (4.75p), with a final of

Cussins loses £1.6m after provisions

Cussins Property Group has made provisions of \$2.09m in its southern housebuilding operation within its associate company, and turned in an overall pre-tax loss of £1.6m for the first half of 1990.

That compared with a profit of £2.14m in 1989. On top of the provisions, associates incurred a trading deficit of £409,000 (£175,000 profit).

Turnover fell to £6.64m (£8.36m). Losses per share worked through at 14.6p (earnings 19.5p) and the interim dividend is held at 3.75p. Net asset value was shown to have declined by 18p to 288p over the ster months.

Mr Peter Cussins, chairman, aid the north-east housebuilding division continued to per-form well. Profit margins had not yet come under pressure and he expected gross margins to be maintained at about 28 per cent for the whole year. In the south the provisions were the amount which might be required to complete the current programme without having to face further losses in

ubsequent years. Mr Cussins said the main commercial programme was not heavily exposed in the cur-rent downturn and, with much of the programme fully funded activity was centred around final lettings. Rental income generated by

the fully let property portfolio

Agent Bank

by nearly 8 per There was a loss per share of 3.1p (20.9p earnings), but an increased dividend of 2.75p (2.5p) is declared. **Interest charges rein** 

#### in Shepherd Neame **Sheffield Insulations** Sharply increased interest charges held back profits growth at Shepherd Neame, the Kent-based brewer. improves at £3.02m

Increased contributions from all divisions helped Sheffield Insulations Group raise pre-tax profits from £2.28m to £3.02m in the first half of 1990. Turn-Results for the 12 months to June 30 showed taxable profits ahead just 2 per cent to £3.61m (£3.55m) on turnover up from £23.62m to £26.67m. over was higher at £62.91m against £52.95m.

Following the opening of a new branch and an acquisition in the period, further growth is planned in the second half with three moves to larger premises and another new branch opening.

don and the south east from its The interest charge fell from Faversham base. In July it pur-£202,000 to £33,000 and after tax chased 33 pubs from Allied-Lyons for £5.85m. Part of of £1.15m (£897,000) earnings per share were 8.2p (7.7p) or 7.6p (6.9p) fully diluted. An interim dividend of 1.8p is the cost will be funded through property sales. Mr Robert Neame, chairman, being paid this time. said the group would continue to buy other brewers' houses if Ossory ahead

appropriate but warned:
"There must be a question as
to the long-term future of the at £7.22m Ossory Estates, a property investor and developer. small back-street or isolated reported annual pre-tax profits

country public house."

A final dividend of 10p lifts of £7.22m, against £6.53m. Mr John Walker, chairman, said the reason for the fall was total for the year to 13p (11.5p). The company's A shares are traded under Rule the relatively small development programme compared with fully-let investment port-

> At the year-end the proper-ties were revalued needing an adjustment of £2.92m or 8.5 per cent. Net assets came out at 27p (27.5p).

"Positive restructuring actions" and the benefits of "good cash management" helped Ash & Lacy increase profits by 8 per cent at the midway steep. Turnover for the year to end-June was £38.98m (£22.83m). Interest charges were higher at £3.43m (£1.79m). There was a tax credit of £571,000 (£1.81m £3.94m (£329,000) for earnings weeks to June 29.

The increase was achieved per share of 1.67p (2.19p). A final dividend of 0.45p is recommended for a total payment of 0.85p (0.75p).

#### from no losses from related companies; the comparable Ardagh raises sales and productivity

This time there was also a con-tribution of £128,000 from other Ardagh, the Dublin-based glass manufacturer, increased tax-able profit from IE3.32m to IE4.35m (£3.98m) in the year to income, against charges of £128,000 previously. The interim dividend is unchanged at 2.5p, on earnings per share of 5.94p (5.53p). June 26. Turnover rose to I£30.64m (I£28.19m).

Increased sales and productivity benefits contributed to the improved performance at Irish Glass.

Directors said competition remained intense, but the growing interest in environmental issues created greater awareness of the advantages of glass as a packaging medium.

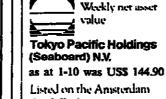
A purchaser's failure to complete a transaction contributed to a £197,000 pre-tax loss at Derwent Valley Holdings for the six months to June 30, smitet 50 to page 187. Earnings worked through at 20.47p (14.85p). The dividend was raised by 1p to 5p, with a final of 3.75p. There is to be a one-for-one scrip issue.

## £25,000,000

Cheitenham & Gioucester Building Society Floating Rate Subordinated Notes due 2005

Notice is hereby given that for the six months interest period from October 3, 1990 to April 3, 1991 (182 days) the Notes will carry an interest rate of 15.1125%. The interest

payable on the relevant interest payment date April 3, 1991 will be £7,535.56 per £100,000 denomination. The Industrial Bank of Japan, Limited, London,



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tor power stations to gas-cooled reactor stations. This culminated in the decision last year to scrap plans to build three AGR power stations in the UK.

In an attempt to keep Ren-frew busy, Howden had begun to manufacture tunnelling equipment at the plant. The group hoped that continued demand for boring and drilling machines would guarantee reg-ular work for the factory. However, these hopes were dashed when a series of decisions on large infrastructure projects in the UK and abroad were post-

oned indefinitely.

The delays were the beginning of the end for Renfrew as a large manufacturing site.

The embargo on trade with Iraq and the subsequent loss of the SIMP ALA phare contracts. the £10m Al-Anbar contract only brought the decision day

forward. The drop in demand from the tunnelling industry was particularly upsetting for How-den, which, aided by the 19m acquisition of German group Wirth in 1988, had forged a world lead in tunnelling equip-ment. Two contracts to provide giant machinery for the Chan-nel Tunnel and the Great Belt project in Denmark had nented Howden's position as

tunnelling equipment. Yet the £40m Great Belt project has proved something of a

mixed blessing for the group.

There were delivery problems earlier this year, and the cash required to finance the manufacture of equipment for the project meant the group's borrowings doubled to £48m in 1989. Howden is currently fighting to recover cash owed from Denmark and the group accepts that its gearing remains high at over 58 per

Howden has been fortunate, though, in that the lack of new orders for AGR equipment has been partially offset by demand for its heat exchang-ers, which are used in the flue-gas desulphurisation of power

The cleaning up of the Drax power station in Yorkshire has provided £20m-worth of work, and Howden stands a good chance of winning the sub-con-tracts to supply two more large desulphurisation programmes in Nottinghamshire and Yorkshire. A decision on the two is due in the next month.

The move to cease heavy manufacturing at the Renfrew plant does not mean the end

the world's largest provider of Although the making of tunnelling equipment will be sub-contracted out, the final product will still be assembled at the site. Howden is also reorganising its marketing and research and development operations, which will all be

based in Renfrew A total of £7m is being spent modernising its facilities throughout the west of Scot-land, where 650 staff will be

Howden's management believes the group is better equipped now to survive a recession than it was in 1980, being "leaner and fitter" in all areas of production, marketing, and technological research, (in 1980 4,700 employees produced turnover of £102m; in the last financial year 4,500 employees produced turnover of £315m.)

Aside from tunnelling and power station equipment, the group's acrospace and food processing and packaging equipment divisions are Lying

Moreover, Howden's wide global spread – it produces and sells in the US, Canada, Germany, Africa, Australasia and south-east Asia - should help cushion the impact of any sharp downturn in UK eco-

## BECK FOOD GROUP LTD

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FINANCIAL NEWS FROM BANK OF SCOTLAND

# Bank of Scotland 1990 Interim Results

	6 mont/is ended 31 August 1990 (unaudited)	6 months ended 31 August 1989 (unaudited)	Year ended 28 February 1990
PRE-TAX PROFIT BEFORE LDC EXCEPTIONAL PROVISIONS	£105.5m	£109.5m	£212.7m
PROFIT BEFORE TAXATION	£105.5m	£96.9m	£193.5m
EARNINGS PER ORDINARY STOCK UNIT	8.3p	7.4p	14.3р
DIVIDEND PER ORDINARY STOCK UNIT	2.00p	1.45p	4.55p
CAPITAL RESOURCES	£1,595m	£1,566m	£1,538m
TOTAL ASSETS	£20,553m	£16,722m	£18,394m

■ With Profit before taxation up 8.9% Bank of Scotland maintains its position as one of Britain's most successful banking institutions.

■ The Interim Dividend of 2.00 pence per Ordinary Stock unit has been increased by 37.9% to reduce the disparity between the interim and final Ordinary Stock dividend payments.



For a copy of the Benk's interem Report contact Public Atlans Department, Bank of Scotland, P.O. Box 725, Orchard Brae House. 30 Queenslemy Roed, Edinburgh, EH4 2UH. Telephone 031 343 7070.

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#### **UK COMPANY NEWS**

## Banks accused of jumping Biting towards the heart of the empire the queue for R&T assets

UNSECURED creditors of the construction company Rush & Tompkins, which went into receivership in April owing about £300m, have complained about the way the banks acted to gain a higher place in the queue for proceeds.

To investigate the events, the creditors have appointed Mr Iam Clark, a partner of Kid-sons Impey in Manchester, as a liquidator to act on their

The main complaint centres on the way the banks, led by Lloyds, strengthened their position about five weeks before Rush & Tompkins went into receivership. The upshot has been that while the banks will get some of their money back, the unsecured creditors are set to get nothing.

Mr Clark estimated that about 7,000, mainly trade, cred-itors were affected, some to the point where it might drive

them into liquidation.

Among the events that he

will investigate is the move by Lloyds Bank on March 19 to take a fixed and floating charge on all the group's assets. It was acting on its own behalf and as the leader of a consortium of about 14 banks. According to Mr Clark, before that date the banks' charges on the assets were limited to about £7m and attached

to specific properties. "If the group had gone into liquidation on March 18, there were substantial assets to sell off and the ordinary creditors might have got 10p to 20p in the pound, and so might the banks. Now it seems the unsecured creditors will get noth-

Lloyds said yesterday that it was "given a debenture about five weeks before the creditor banks sent in the receiver". It had followed a laid-down proce-

dure and there was nothing that was not above board. When Rush & Tompkins t under it was involved in 40 joint venture developments valued together at about £600m. The joint administra-tive receivers appointed by Lloyds were partners in

Mr Christopher Morris, one of the receivers, said the accountancy firm was "totally happy about the validity of the About half the £300m of debt was owed to unsecured credi-

tors. "As we see it, there will be no funds at all for them."
There would also be a "signifi-cant shortfall" in the amount repaid to the banks. He disputed Mr Clark's analysis of what would have hap-pened had the group gone into receivership before the banks extended their charge on the

the sale of stakes in core busi-nesses if future repayments are to be met. And if high gearing is out of fashion, trying to sell businesses these days is not easy either.

The stock market's reaction

MCC shares fell 8p to 142p

yesterday — suggests that the
elimination of the company's
short-term debts does not alleviate longer-term concerns.

A year asp MCC refinanced

A year ago MCC refinanced its debt by arranging a \$3bn credit, at interest rates fixed at 10 per cent or less. At the March 31 belance sheet date, net debt was £2.1bn which compared with stated shareholders' funds of fibn - that is adopting the MCC view of valuing intangible assets at £2.2bn.

In the late 1980s running up

debt might have been fashion-able. Now it is distinctly old hat.

Mr Maxwell faces the prospect of chipping away at his publish-ing empire in an effort to pay back the debt he took on to buy

The amouncement of dispos

top of the use of existing resources to cover the first

repayment due on Maxwell Communication Corporation's debt, will have to be followed by

als of non-core business

In the annual report, Mr Max well told shareholders that \$990m of the \$3bn had to be repaid by October 23. But he was confident that, after already repaying \$575m, "we will repay the remaining \$415m well before the due date".

In the event it has outwardly seemed to be rather more of a scramble than Mr Maxwell fore-saw. Although MCC maintained

Maggie Urry on Mr Maxwell's problems over the repayment of MCC's £2.1bn debt

MR ROBERT MAXWELL caused confusion yesterday with a formal statement about the planned disposal of Maxwell Communication Corporation's 22 per cent stake in De La Rue, the bank-note printer, writes Andrew Hill and Raymond Snoddy.

MCC confirmed that under its disposal programme the entire stake would be sold by ancilon through Smith New Court. MCC's statement appeared to put a price of \$61m on the stake, but at yesterday's unchanged closing price of 254p, the holding is worth £77.4m, or nearly \$147m.

Mr Jeremy Marshall, De La Rue's chief executive, said it would be much better if the shares ended up with institutions rather than interested parties.

Mr Maxwell suggested last night that his 20 per cent stake in Central Independent Television would probably be sold to a continental media company. It became clear yesterday that Mr Michael Green's Carlton Communications, which owns 20 per cent of the Midlands ITV company, was unlikely to be an immediate candidate. HEN MR Robert Max-well decided to trans-form his business from printing to publishing, he took on a burden of debt in the process. Buying Macmillan, the US publishing group, in 1988 cost \$2.6bn. And there were

immediate candidate.

Mr Maxwell insisted yesterday that his \$415m in short-term debt would be paid before the October 23 deadline whatever happened on disposals. MCC has promised a circular to share-holders within 10 days, including a fairness opinion from Bankers Trust on the value received by MCC for the sale of newsprint and printing stakes to Mr Maxwell's private company Mirror

Group Newspapers.

The circular will also contain a statement on the adequacy of MCC's working capital.



Robert Maxwell: I do not enjoy running a highly leveraged company and want to get back quickly to being equity-led

capital expenditure - is unlikely to be sufficient to meet

the debt repayments.

Further disposals will have to be made. Some cash can be raised from sales of small businesses dotted around the

empire, but more significant dis-posals will have to be made too.

As one analyst puts it: "I do not think he has any choice but to

This has been accepted by MCC through the \$130m partial float of Berlitz, the language tuition business, and, in March

this year, the \$210m sale in the US of shares in the form of flexible rate auction preferred stock of Official Airline Guides,

bite into the core busine

## Slow lettings cut Higgs by 65%

By David Owen

THE IMPACT of slow lettings at the £21m Shipgates Centre retail development in Bolton contributed to a 65 per cent decline in interim profit at Higgs & Hill, the housebuilding, construction and property

Pre-tax profit for the six months to June 30 fell from £10.09m to £3.57m. Turnover, by contrast, advanced 20 per cent to £225.5m (£188.5m).

This year's profit figure was after a £4.1m exceptional charge relating to Shipgates, where Higgs has a commitment to carry losses after an initial contribution by Arrow-croft Group, its joint venture

Sir Brian Hill, Higgs chairman, said that the group had taken a prudent view when fix-ing the level of the charge and had taken into account "all that we can foreseeably see in today's market conditions.

"If the property market further deteriorates, it may be possible that in March we will have to look at it again," said, emphasising that the project was "by far and away" the biggest of the group's UK

gyog in the City about its sp

The Corporation currently warning plans:

the brisish Feedman of commonly Ass British Fer Trade Association City of London Resul Trader's Association The City of London Soliciness Company Corporation of Lloyds of London

The London Society of Chartered Access
Royal Institute of Charter Surveyors

The existing forem may be used or a new one may need to be established

existence of a forum does not preclude separate consultation with individual representative bodies or with major individual retepayers. Whilst the Corporation will take the individual contained where it considers such to be necessary or appropriate, the constraint with groups or individuals not within the forten to make an approach to the Corporation on any nature of concern.

Any group representative of non-domestic mapsyers in the City of London that is not listed above and that wishes to be considered for incorporation on the list is heavely invited to write to the Town Clark for more information at the following

Rof: PIN Corporation of London, P.O. Box 270, CRILDHALL

The Corporation is proposing to extend the pro-or representatives of non-domestic entepayers.

"We are holding back from getting involved in other UK commercial projects until the market improves," Sir Brian

Notwithstanding the decline in profits, Higgs declared a sharply higher interim dividend of 6p (4.4p), reducing funds transferred to reserves to just £156,000 (£5.19m).

The company is taking the step to "provide a more even balance between the interim and final dividends." In April, it recommended a sharply increased final dividend of 15.6p (8p), having earlier staved off a £167m hostile take-over bid from Y J Lovell, the

rival construction group.
Higgs said its construction
activities continued to perform well, although the level of inquiries had fallen, but the housing market remained very depressed."
"There will be no recovery of

confidence until interest rates are lower," the group projected. "The Government's use of high interest rates to curb inflation is an indiscriminate weapon in the way that it effects our industry. Interest payable in the half-

year was about £2m, while the group said that gearing was below 30 per cent. Earnings per share fell sharply from 18.5p to 6.8p. The shares, which have fallen steeply since July, lost a further 11p, closing at 268p.

Construction has taken the strain for Higgs & Hill with housebuilding and UK prop-erty moribund and is now likely to account for the lion's share of 1990 profits. With more and more prospective customers feeling the pinch, however, there are signs that even this area of comparative strength is poised to weaken.

With lower interest rates thought unlikely to trigger an upturn in the housing market until well into 1991 — even under the most favourable circumstances - full-year fore-casts have been trimmed back to about £10m. This leaves the shares on a flattering prospec-tive multiple of 14. Any buyer will do so on the strength of the yield which amounts to 10 per cent, assuming that the full-year dividend is main-

## Time Products falls 24% but increases dividend

By Andrew Jack

AGGRESSIVE Japanese pricing cut into the Hong Kong sales of Time Products, the watch distributor and manufacturer, knocking pre-tax profits down more than 24 per cent from £6.95m to £5.28m for the six months for July 31.

But the London-based com-pany, which distributes Sekonda and luxury watches, increased the interim dividend to 2.65p (2.5p). "It is a reflection of our confidence in the long term," said Mr Marcus Margulies, group managing director. The watch movement n

facturing business, which is located in Hong Kong, suffered pre-tax losses of £107,000 compared with profits of £1.83m, on turnover down 23 per cent to 26.95m (£8.97m).

A weak Yen and discounting from Japanese competitors such as Seiko led to "sustained aggressive pricing", said Mr Margulies. "With the Yen strengthening, we are probably through the worst," he added. UK profits fell to £3.36m (£4.18m) on turnover down slightly to £19.14m (£19.51m). "We suffered from problems in the high street," said Mr Mar-gulies. "Retailers are not aggressively stocking." The volume of Sekonda

watches sold was comparable with the same period last year, but the purchasing trend was towards lower-priced items in the range, the company said. Group pre-tax profits were boosted by finance income of £2.03m (£1.44m). Net cash stood

Abtrust New Thai Investment

at between £27m and £30m during the first half.

In its initial period ending August 31, Abtrust New Thai Investment Trust reported net asset value of 81.16p. Pre-tax

Ash & Lacy ...... Bank of Scotland Bank of Wales ...

Mr Margulies said the group was interested in buying other watch or luxury brand busi-nesses, but "we have very strict parameters of how we spend money, and there have still not been opportunities so The company reported slow progress in its Soviet joint ven-

yesterday that existing funds were available to make the pay-

ment, there has been an air of rush about recent stories of

sale to Mr Maxwell's private

company, Mirror Group News-papers, of stakes in a Canadian

paper and a printing company - require the approval of the independent shareholders of

MCC. This means a document must be prepared and sent out, a meeting called and share-holder approval given, but this will come after the October 23

After the current raft of disposals go through, MCC's debt might fall to perhaps £1.5hn or £1.6hn — still an unconfortably high level of gearing. Two more repayments of the £5hn loan are set — \$750m is due on October

23 1992 and \$1.2bn on October 23

1994 - short of another refinan-

ture, but it became the distrib-utor of Certina, a brand of lux-ury watches, during the period. Earnings per share dropped to 6.7p (9.22p). The shares closed down 1p at 123p.

**O COMMENT** Another set of disappointing

results caused full year expec-tations for Time Products to drop to about £12m. That gives for the UK drinks group. a multiple of about 8 - at discount to the sector based or pessimistic consumer trends. Time can justifiably claim it will have a better second half, since jewellers order about one third of their stock just before Christmas. But jewellers are buying hand-to-mouth, according to the company, so it is too early to predict the impact of a downturn in spending. The Gulf crisis may have a short-term negative impact on huxury watches, and price cut-ting is continuing to affect the Hong Kong business. Since new huxury goods take time to become established, the Cer-tina brand is as unlikely to boost current full year profits as the Soviet joint venture. But if any of their competitors become more vulnerable, they

revenue was £328,221. Tax took £114,924 and earnings per share came to 1.42p. There is no interim dividend.

Finns Painting

to scoop them up.

Contractors

have the cash and the appetite

Finns Painting Contractors Ltd of Pembroka has asked us to point out that it has no connection with the Finns Group of subsidiaries of Caird Group referred to in a story published on September

#### acquired for \$750m in 1983. Last year Mr Maxwell said that Macmillan's joint venture At last month's annual meeting, Mr Maxwell said: "I do not enjoy running a highly leveraged company and want to get back quickly to being equity-rather than debt-led." MCC clearly has some way to go before it reaches Mr Maxwell's desire. from recent acquisitions may offset the absence of some of these items. And, probably, future profits will again contain with McGraw Hill in educational publishing would be partially floated. Further issues of gains on sales of assets. However, cashflow from on-going mainstream operations alone shares in OAG and in Pergamon Press will be made, "as market conditions allow", says Mr

Guinness in Spanish beer talks

tious to start worrying about these just yet, it would not appear from the group's last accounts that on-going operations can provide sufficient

cash to make these payments.

Operating profits, pre-excep-tional gains, were shown at £251.2m, while net interest was £108.1m. That level of interest

cover might be called adequate rather than comfortable.

operating profits reveals that 234.6m came from activities

which have been discontinued. A further £18.3m came from the

sale of publishing titles, and £47.9m was labelled "other oper-

The contribution in the future

ating income".

GUINNESS is discussing the joint acquisition of Cruz del Campo, a privately-owned Spanish brewery, with Banesto, the Spanish bank and industrial holding com-

The talks have come in the wake of Banesto's purchase from Guinness of its 50.8 per cent stake in AGE, the leading

exporter of Rioja wines.

Banesto, which already owned 13 per cent of AGE, paid Pial. Shn (£10m) for AGE in an agreement announced on Tues-

A decision by Guinness to reinvest its earnings from the AGE sale and to remain in the Spanish drinks sector, switching from wine to beer, would have clear fiscal advantages

Under Spanish tax law a company obtains a roll over on its capital gains liability if it reinvests its domestic earnings

remvests its domestic earnings in the same sector.

Asked yesterday if Guinness and the Banesto group were negotiating a bid for Cruz del Campo, Mr Arturo Romani, chairman of Corporación Banesto, the bank's industrial arm confirmed a idint bid had arm, confirmed a joint bid had been discussed. Cruz del Campo has a 22 per

cent share of the Spanish beer market, one of the fastest growing and most profitable in Europe, and it is understood to be for sale for Pta 100bn. The sale is being managed by Goldman Sachs, the US

investment bank. The Spanish company has

Dutch Heineken group, which owns 51 per cent of El Aguila, the second largest domestic brewery, United Brewerles of Denmark – the Carlsberg pro-ducer – which owns 51 per ducer - which owns 61 per cent of Union Cervecera, Spain's sixth largest beer producer as well as interbrew of Belgium and Fosters of Austra-

Kevin Maxwell, a joint manag-ing director of MCC. He says

that the issues will be of straightforward equity and not of more floating rate auction stock, though again he says the exact nature is always dictated

by the market".

by the market".

This may reassure MCC's equity shareholders, concerned that more preferred stock might be issued. Proceeds from selling fierible rate auction stock can be used to pay back loans, so gearing levels are cut, and interest cover is improved since payments on the auction stock are taken below the line. But, preferred stockholders rank ahead of ordinary shareholders.

of ordinary shareholders. At last month's annual meet-

• Philip Rawstorne writes: The confirmed sale of the 50.8 per cent stake in AGE, acquired in the takeover of Schenley industries of the US in 1987, completes the disposal of Grinne ss's wine business at part of its strategy of focusing

Corporación Banesto protalso attracted interest from the pects, Page 32

Mr. Berton

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#### **LEGAL NOTICES**

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whose last known address was, in 1966, 63 Northgian Road, Laytonstone, London, E11 and prior therato 81 Whatshone Grove, Chadwell Heath, Rosslord, Essax and prior therato 19 Kildowan Road, Goodmayee, Essax.

TAKE NOTICE that an action has been com-meaced against you in the High Court of Justice, Chancery Division 1990 S No.574 by MICHELE TONIA SHANKON of I Whisleborne Grove, Chadwell beeth, Romford, Essex in which the Plaintill, who is the wictow, admin-letystrix and beneaticlary of the estate of ROBERT SHANNON decembed, claims a dec-laration that you hold the property at 87 Whisleborne Grove, Chadwell Health, Roadord, Essex in trust for the Plaintill and an Order that you do executive an instrument of trans-fer of the said property into the name of the Plaintil.

If you desire to defend the said action you want within 14 days from the publication of this adverteement inclusive of the day of such publication actinoviedge service of the said Wift of Summons at the Homford District Registry of the High Court of Justice, 2a Osidands Avenue, Romford, Essex, RM1

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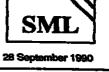
has acquired the Building Chemicals Division of

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\* Windeck Paints Limited

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Cornoration of London - Consultation on Spending Plans

ion currently consults with the following mys

ent Finance Act, 1988, to commit representati City about its spending proposals in the forthe

SARAKREEK PARTICIPATIONS N.V. **ESTABLISHED IN CURAÇÃO NETHERLANDS ANTILLES** 

NOTICE of the Annual General Meeting of Shareholders to be held on

Notice is hereby given that the Annual General Meeting of Shareholders of SARAKREEK PARTICIPATIONS N.V. shall be held on October 23, 1990 at 3.00 o'clock p.m. local time at the offices of the company at the International Trade Center, Piscadera Bay, Curacao (N.A.) to approve the report of the Managing Director, the annual accounts of the company for the financial year ended on May 31, 1990, the cash dividend for the aforementioned financial year and to discharge the Management in conformity with the company's articles of inconcretion.

The official agends of the meeting may be inspected by all shareholders at the offices of the company and is available upon

Dated: October 1, 1990

Amro Trust Corporation N.V. Managing Director

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#### **COMPANY NOTICES**

LILL STIERNATIONAL

INVESTORS N.V. NOTICE OF AN EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

to be held on

October 31, 1990 To the Shareholders of I.L. International Insurance Investors N.Y.

NOTICE 15. HEREBY GIVEN that an Extraordinary General Meeting of the Sharaholders of L.L. International integrance investors N.V. (the "Company") will be held at De Rayterlands C. Willemstad, Curaco, Notherlands Antilles, on October 31, 1980 at 11.00 at. N. Netherlands Antilles time for considering the following Agendan:

Completeration of a Motion to place the Company into voluntary liquida-tion as of October 31, 1990;

2) Consideration of a Motion to accept the resignation from the Managing board of Messara tan C. Menzies, John K. Anbler, Julian E. Ashthy and Curacao Corporation Company N.V. as of October 31, 1990, and to discharge the storesald Managing Directors for their administration and management of the Company up

Consideration of a Motion to appoint Mesors ten G. Menzies and Julien E. Ashby an Liquidators of the Com-

4) Consideration of a Motion to sati Consideration of a Motion to Estate sit creditions of the Company and to pay the belance of the assets to the Shareholders on a pro cate bests in accordance with the laws of the Netherlands Antilles;

5) Consideration of a Motion to Inst Consideration of a litotion to instruct Curacoa Corporation Company N.V. to keep and maintain the records held at the registered adverse of the Company in the Netherlands extince for a period of thirty (20) years commencing from Couber 31, 1900 and to instruct for Asthen E. Ashby to keep and maintain all other records of the Company in their complete form for a period to one (1) year; and

Holders of beaver shares, in order to emercise their rights at the Meeting, must establish their ownership of such shares in a manner establisher to the Chairman of the Meeting, Nevertheleas, they may establish such ownership by depositing such shares satisfactory to the Managing Board) at the offices to J. Henry Schroder Wags & Co. Limited, 120 Cheapaids, London ECZV 80S, England, against written receipt, not later than five days prior to the date of the Meeting and by producing this receipt at the Meeting the receipt at the Meeting Shareholders may be represented at the Meeting to written provise energy of the Interior of the Meeting and by producing this receipt at the Meeting Shareholders may be represented at the Meeting by written provise empowered in a letter.

By Order of the Managing Scord

**BOARD MEETINGS** tries, Druck, Gelliford, Kelt Energy, Manchester S. London Inv Trust, Murray Vestures, Property Tru st, TSM-Television South West, PUTUNE CATES The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are essually held for the purpose of considering dividends. Official indications are not swellable as to whether the dividends are interine or finals and the subdivident shown below are based mainly on least wars's timetables. Nov 25 Oct 10 Oct 6 Oct 6 INDEXT IN THE PROPERTY OF THE

**DIVIDENDS ANNOUNCED** 

6 2.65 2.8 2.65 11.18

Date of payment

Nov 26 Dec 7

Dividends shown pence per share net except where otherwise stated.

"Equivalent after allowing for scrip issue. 10n capital increased by rights and/or acquisition issues. §USM stock, \*Carries scrip option.

#### **UK COMPANY NEWS**

## Chemicals side boost for Harrisons & Crosfield

HARRISONS & Crostield, the ingredients for PVC and other conglomerate which has diversified away from plantations and into chemicals, building supplies and food, increased pro tax profit by just over 2 per cent, from \$56.2m to \$57.5m, in the first half of the year. Turnover fell by 7 per cent to 2578 in (2944m) following the sale of the general trading division, although this helped increase the profit from dispos-als to 24.3m (£2.4m).

More than 40 per cent of the \$59.7m (£67.1m) group operating profit came from the chemicals division. Mr George Paul, chief executive, said the 5 per cent advance to £28.4m (£27.1m) reflected strong growth in organic chemicals but a decline on the inorganic side. The division had been strengthened by the May pur-chase of Pfizer, a US iron oxide

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pigment company. Food and agriculture's con-The organic wing, supplying tribution of £14.9m (£12.5m)

polymers, had benefited from the merger of UK and Dutch activities, under the name Har-cros Chemicals, and from investment in the Recles factory. The inorganic business had concentrated on cost

Timber and building supplies increased operating profit to £17m (£12m). However, £2m of this came from Moores, the Virginia-based company bought for £54m in August 1989, and £2.1m from Crossley, the UK business which cost £113m in May and added 112 branches to the existing 186-

Mr Paul said the like-for-like fall of 8 per cent reflected a downturn of demand in the south of England, which was now reaching the north. Scot-land remained strong. Food and agriculture's con-

was complicated by a disposal last year and this year's influx of £3m from Baker pet foods. Leaving these aside, growth was limited to 3 per cent. The residual plantations business in Indonesia fell to \$5.1m (£9.7m), partly hit by a fall in palm oil and rubber prices.

Interest charges rose to £12.2m (£10.9m). Net debt, including £75m in convertible bonds, fell to £187m, bringing down gearing from 45 per cent to 34 per cent over six months. In spite of a reduced tax charge, earnings per share were static at 6.80. This was affected by paper issues, nota-bly a 1-for-5 rights issue in May linked to the Crossley buy.

The interim dividend goes up to 3.5p (3.3p) and the directors reiterated their intention to increase the final payment to 5.4p (5p).

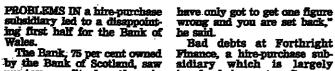
## Bank of Wales slides to £0.6m

By Anthony Moreton, Welsh Correspondent

Wales.
The Bank, 75 per cent owned by the Bank of Scotland, saw pre-tax profit for the six months to August 31 drop from

The figures masked an even sharper drop. The profit was buoyed by an exceptional credit of £450,000 arising out of the chasing of had debts. The 1989 figures contained a provision for £407,000 as the cost of the Bank moving to new headquarters in the centre of Car-

Viscount Tonypandy, chairman, said: "the current finan-cial year will be difficult". Mr Eric Crawford, chief executive, admitted the rate of growth was less than the bank desired. "Our advances only increased by 7 per cant over last year as business activity slowed and that is not a feet slowed and that is not as fast as we would have liked. You



Finance, a hire-purchase sub-sidiary which is largely involved in motor finance, have arisen as a result of a rapid expansion at a time when money is dear. The Bank has put aside £250,000 to cover these debts.
Funding Forthright has been costly but Mr Grawford saw an

end to its problems, "provided bad debts do not accumulate", and reported that the Bank, with the backing of the Bank of Scotland, was looking to buy HP companies as the price was It took over a hire-purchase

company last November with a portfolio of £10m and is talking to others of the same size. Viscount Tonypandy sees
"potential for a much
improved performance", but as
the recession begins to hite in
Wales Mr Crawford admitted



Viscount Tonypandy: the current year will be difficult

terday that the future was "uncertain". The interim dividend is maintained at 1p, payable from earnings per share of 0.18p

#### Receivers called in at Planning Research

By Andrew Jack

PLANNING RESEARCH and Services, the USM-quoted information services group wracked by boardroom con-flict, has called in administra-

BDO Binder Hamlyn was appointed receiver by National Westminster, the company's principal banker, late yester-day afternoon, said Mr Adrian Bannington, finance director.

Shares in PRS were suspended on Monday at 30p. In August the company, warned of loases for the year to March 31. And Mr John to March 31. And Mr John Martin, chairman and managing director and major shareholder, resigned following disagreements over the management of the company.

He had since been trying to win reinstatement, and had called an EGM for October 13.

According to Gilbert Eliott, the group's advisers, PRS has debts and outstanding guaran-tees with NatWest totalling £3.8m. The bank rejected a

refinancing plan from the com-pany on Tuesday.

Pre-tax profits for the year to March 31 1989 were 2619,500, but PRS made losses of £171,800 for the six months to September 1989, Full year results have not been released. In a letter to shareholders on September 19, the board said that an "unacceptably high overhead base and an imprudent capital expenditure programme have led to a material rise in bank borrowings and a severe deterioration in its financial stability."

#### Kleinwort Gilt Fund nav slips to £12.09

At September 30, the net asset value of Kleinwort Benson against £12.88 12 months ear-lier.

For the half-year pre-tax profit came to £2.53m, against 23.03m in the same 1989 period. The interim dividend is 34.52p (34.54p).

## Cowan rationalises as profits dive

and industrial hardware group, is selling The Russian Shop, the loss-making wholesaler with an exclusive retail outlet on the Strand, as part of an extensive rationalisation.

The move follows the arrival in March of the new chairman, Mr Michael Buckley, after Wilton Group raised its stake in the group to 23.3 per cent. In the year ended April 30 1990 Cowan de Groot made a pre-tax profit of £163,000, down from £1.1m the previous year - before exceptional credits £1.19m - on lower turnover of

COWAN DE Groot, the toys \$32.13m (£32.54m). After tax de Groot in May 1989 were not there was a loss per share of 8.5p (earnings 5.7p) and there is no final dividend; therefore, the interim of 1.25p compared with a 2.5p total last time.

There were also extraordinary charges of £1.9m resulting from legal provisions, costs associated with the rationalisation and the sale of The Russian Shop. The largest item was £700,000 against possible loss of a legal case brought by Eagle Trust in connection with Eagle Trust claims that

three properties sold to Cowan January this year for £1.1m.

transacted at a proper arms length price. Eagle Trust was then under the chairmanship of Mr John Ferriday who is now facing multiple charges of

theft and false accounting. Cowan de Groot sold two of the properties in October 1989 for a profit of £700,000 after paying £600,000 five months earlier. Mr Buckley said the group will fight the case. Losses were incurred at Harper Lee, a hardware and electrical wholesaler, from the moment the group bought it in

The group has downgraded the value of assets leading to a \$1.1m charge to the revalua-tion reserve, following the sub-stantial revaluation of warehouses in the toy group the previous year. Mr Buckley said the properties were left empty at a time when property values were falling.

The hardware activities were

group's existing activities.

being reorganised within the

Mr Buckley said the reorgan-isation meant the group had taken proper account of the true value of assets and moved into a position to go forward.

Photo-Me Intl

virtually static

Photo-Me International, the

world's biggest operator of

photo booths, returned profits of £16.88m pre-tax for the 12 months to April 30 1990, a near standstill on last time's restated £16.37m.

The company's shares closed

15p higher yesterday at 273p. Turnover was unchanged at

294m (£94.47m) although there was an adjustment of some 19m following the sale of a

at £16.9m

## Metro on winning wave band

By Raymond Snoddy

METRO RADIO, Newcastle-based commercial radio group, looks an apparent victor in its bitter takeover battle for Yorkshire Radio Net-

work.

When the £18m offer for YRN closed Metro reported acceptances of just under 85 per cent and declared the offer transmitted. unconditional. Mr Neil Robinson, managing

director of Metro, said: "It's a fantastic step towards formal

To complete the deal, Metro needs a 75 per cent majority of those voting at a YRN extraor-

dinary general meeting on

Panfida Group, the Australian-controlled property

and retail group, ran up a pre-tax loss of £9.58m for the year to end-June, against profits of

£153,000 for the nine months to

June 30 1989. Income from associates fell

to £1.27m (£4.07m) and there was a nil (£246,000) coniribu-tion from investment income.

Interest charges rose to £23.35m (£14.96m). Loss per

share worked through at 11p

(8p). Panfida has sold its TOC

Retail stores business in the US and disposed of some of its Australian interests recently to

concentrate on its Martins

In April News International

raised its stake in Panfida to 31

newsagency business

Panfida runs

up £9.58m

deficit

October 19 to change the 6m adults - about 12.5 per company's articles of associa-

At present the articles pro-hibit shareholdings of more than 10 per cent. If the deal, which has the approval of the Independent

Broadcasting Authority, goes ahead, it will create what Metro believes will be the larg-est commercial radio company outside London. enlarged group comprising

By Clare Pearson

KEMBREY, which now has

interests in electrical har-

nesses, precision components and refractory materials, is fol-

lowing up a recent spate of disposals with the purchase of McMurdo, a division of Louis Newmark, the electrical group, for \$4.7m cash.

The company, which emerged when Kembrey reversed into USM-quoted Coated Electrodes last December, also aims to move up to the main market and exchange its electrical exchange.

its electrical sector classifica-tion for an industrial one.

Portsmouth-based McMurdo, which makes electrical connec-tors, marine safety lights and

wiring harnesses, reported pre-tax profits of £1.03m on turn-over of £9.98m in the year to

ation. Metro, backed by Capital

alternative of 170p.

Last week YRN advised shareholders to accept the cash

The five stations of the Metro's current Tyne and Wear and Cleveland areas plus YRN's Sheffield, Bradford

cent of the UK popul-

Radio, Chrysalis and TV-am, offered one Metro share and 150 cash for each YRN share. There was also a full cash

Under the sale agreement, net assets will be £5.15m on

to be lower for the 1991 year due to difficulties in its reserve

battery business, but these will be somewhat offset by contri-

butions for its recently-ac-

quired connector and wiring

Kembrey's moves follow a number of disposals, notably

its sale to British Coal in

August of a Sheffield graphite coating site, which left it virtu-

ally ungeared. Kembrey said McMurdo should broaden its customer

base and add an established

marketing operation to the

McMurdo's profits are likely

Mr Michael Mallett, YRN chairman, said the cash offer price was unlikely to be reflected in the share price for some time if the company remained independent and Hull, will together cover

end-March.

Newmark arm for £4.7m

manufacturing subsidiary. Depreciation rose to £7.16m (£5.69m). Earnings emerged at 15.54p (14.74p) and a final dividend of 2.8p raises the total by 1p to 4p Kembrey acquires Louis

per 2.5p share. There was an extraordinary

credit this time of £122,000

Directors said the core business performed well world-wide and added that price increases in key operations around the world would more than cover inflation in individual operating countries

Triplevest net asset value falls to £15.98

Triplevest reported net asset value of £15.98 at August 30, against £17.93 at the end of the year to February 28 and £20.06 at the end of the previous first

Pre-tax revenue in the six months to end-August rose from £3.21m to £3.62m, including franked investment income of £3.19m (£2.89m). The interim dividend is 11.18p (9.9p). The investment trust's articles provide for voluntary

## THE FACTS. AT £38.73, IT FIGURES. Cracking down on hackers



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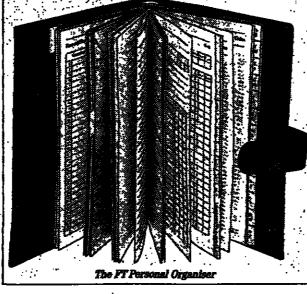
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#### BUSINESS LAW

By Clive Davies

SINCE August 29 1990, computer hacking has been a criminal offence in the UK. The Computer Misuse Act 1990 brings the UK into line with Australia and a number of US states and follows reports by the Scottish and **English Law Commissions.** 

Computer users and suppliers have long been concerned that hackers could gain unauthorised access to computer systems. At the very least, a hacker might undermine the commercial value of information stored on a system; at worst the act of hacking could be the basis for fraud or theft or could cause damage to the computer itself.

The new legislation should help to maintain confidence in London as a leading centre for finance and international trade. Neither English common law

nor statute provided sufficient protection against hacking. This was demonstrated by the failure of the prosecution of two individuals who gained access to the British Telecom Prestel computer network in They were initially convicted

of contravening the Forgery and Counterfeiting Act 1981 but the Court of Appeal quashed the conviction. The Court held that although forg-ery could include electronic methods of creating false information, the electronic impulses keyed in by the hackers were not a "false instrument". The House of Lords con-firmed this and ruled that a

device which recorded or stored information by elec-tronic means could not be an "instrument" under the 1981 Act unless it preserved the information for an appreciable time. The momentary holding of customer identification numbers and passwords did not amount to an "instrument". These decisions indicated that the law needed

reform to make hacking a spe-

cific offence.

The fundamental difficulty English lawyers had with hacking was the lack of any law of privacy in the UK. If you walk into an open office, read a file, but do not copy it, and then leave without creating any damage, you have com-mitted no wrong except per-haps trespass which is not a criminal offence. Why should it be a criminal act when you "walk" into a computer instead

The new Act is designed to protect the integrity of com-puter systems and not to create any new right in confiden-tial information. The debate, both in and outside Parliament, reflected diverse attitudes. Some argued that everyone should be free to hack into computer systems to test the security measures preventing access, which should be built in by computer suppliers.

Others pressed for legisla-tion which was sufficiently wide to include electronic eavesdropping. This involves "listening" from a remote loca-tion to the radiation given off by a computer display terminal and recreating the messages displayed on the screen. This is no different conceptually from looking through a window from the building opposite with a pair of binoculars.

The Computer Misuse Act 1990 largely follows the recom-mendations put forward by the English Law Commission by treating relatively lightly those who only access the computer ously those who do so with a dishonest intent to commit a further crime and most cess, intentionally modify the computer.

Unauthorised access to com-puter material occurs if a person causes a computer to per-form any function with intent to secure access to a program or data held in any computer, the access is unauthorised and he or she knows that it is unauthorised. The offence is punishable by a term of imprisonment of up to six months or a fine of £2,000 or both. The aggravated offence is

punishable on indictment by imprisonment for a term not exceeding five years, or an unlimited fine, or both. A person is gullty of unau-thorised modification of computer material if he or she does any act causing an unauthor-ised modification of the contents of the computer, and at the time of the act intends to

modify the contents of the computer without authority and so impair its operation or program or datum held in the computer. This offence is also punishable on indictment by a prison term not exceeding five years, or an unlimited fine, or both.

"Computer" is not defined in the Act on the basis that most definitions would be liable to become out of date very rapidly as technology develops. Some US state laws refer to "computers or computer systems", and there is an argument that hacking into a computer network (as opposed to a single computer) might not be caught. The courts will probably take a reasonably broad approach to the definition of a computer and will include

within this a computer net-

"Program" and "data" are not defined in the Act except to say that they include items held in any removable storage medium (such as diskettes). Modification of a computer's contents takes place if, by the operation of any function of the computer concerned, a program or datum is altered or erased or added to. This is aimed at the placing of "viruses" or "logic bombs" or "Trojan harses" in a computer. that is, something done to a program (which may well not be readily identifiable by the user) but which causes sometimes irreparable damage not only to the program itself but possibly also to the operating system of the computer on

hich it is running.
Under the Criminal Damage Act 1971, damage to parts of computer systems might not be considered criminal damage to "property of a tangible

One clear concern with hack-ing is the territorial scope of the offence. A person using a personal computer and today's extensive international communications systems can hack into a an English computer from Germany or into a US computer from England.

The Act in effect extends jurisdiction for hacking offences to permit prosecutions even when part of the offence was committed abroad, provided there is a significant UK link, which for the basic offence means the accused or the computer was in the UK at

One surprising, and possibly unintended, consequence of the Act is that on a strict interpretation of the wording it may unnecessarily criminalise certain breaches of software licenses.

When a software house licenses a software program to a supplier, it will usually pre-pare a list of restrictions on the operation of the software. For example, there may be a stipu-lation to limit its use to designated computers and/or at designated locations.

If the licensee then uses that program on a computer which is not covered by the licence the licensee would be causing a computer to perform a func tion with intent to secure access to the program, such access would be unauthorised and the licensee would know that such access was unauthor-

These appear to be the cir-cumstances necessary to con-stitute an offence under the Act. Arguably "unauthorised access" should relate to access to the computer, as opposed to the program, although the Act clearly refers to "access to a program or data".

Software suppliers may thus see the Act as providing fur-ther protection for their intellectual property rights in addi-tion to that provided already by copyright and the terms of their licence agreements. They may regard this as justified in view of their considerable investment in developing software and the computer indus-try's general acceptance of the need for a high level of protection for software.

Another interesting consequence of the Act is that if a nerson walks uninvited, but without breaking any laws, into an office and uses a computer which is sitting on the desk without any physical lock or security code protecting its programs, this constitutes a criminal offence. It would have been possible

to draft legislation which required the computer to have some barrier to access which had to be breached in order for an offence to be committed. This concept has, for example, been used in the New York law relating to backing, but was not followed in the Act.

The only really contentious issue raised during the passage of the Bill through Parliament was whether the police would have sufficient powers to gather the evidence they needed to prosecute offences

under the Act. However, the Act probably does provide sufficiently clear-cut offences for prosecutions to be carried out successfully. Certainly in the US, hackers have been successfully prosecuted and fined or sent to

The author is a solicitor with City lawyers DJ Freeman & Co.

#### **COMMODITIES AND AGRICULTURE**

## Hope fading for Soviet vegetable crops

**EMERGENCY MEASURES to** save the potato and vegetable harvests in most of the Euro-pean part of the Soviet Union are being introduced by local authorities, but many agricul-tural experts fear they may already be too late.

Almost non-stop rain since the latter part of August has meant that the fields in European Russia, Belorussia and northern Ukraine are waterlogged, and farm machinery cannot operate. Now tens of thousands of soldiers, students and urban workers are being attempt to collect the vegeta-bles by hand.

Supplies to the major cities, like Moscow, Leningrad and Sverdlovsk, in the Urals, are running far below normal levels. By the end of September in Moscow, less than 150,000 delivered to city stores, com-

HE CONTROVERSIAL

Tropical Forestry Action Plan is to be

changed, largely along the lines suggested recently by an

independent three-member review team that included the former Swedish Prime Minis-

ter, Mr Ola Ullsten. This said that although the plan "has

"continued but transformed."
The plan, launched in 1985,

eims to stop the destruction of

tropical forests, conserve and develop them for sustainable

use and increase the flow of "forest" aid. It lays down guidelines for tropical forest

countries to draw up their own

national forestry plans. But the

plan has been slow to operate

and non-governmental organi-sations (NGOs) have accused it

of being a logger's charter and

of giving little attention to the

needs of forest dwellers. The

7-nation Houston summit

called earlier this year for a "reformed and strengthened

At a meeting last week in Rome of the United Nations

Food and Agriculture Organi-sation's Committee on Forestry

there was broad support for the plan from both industrial

and developing countries, although they insisted that changes were needed along the lines suggested by the indepen-

dent review. The FAO's for-

estry department, which co-or-dinates the plan has accepted

The review recommended that the TFAP give more

protection and be renamed The Tropical Forestry Action Pro-

gramme, with the aim of "con-

servation and sustainable

development of forestry sources in the interests of the

environmental

most of the review's ideas.

pared with more than 410,000 tonnes at the same time last

bles, including carrots, cab-bages, and beetroot, are run-ning at less than 400,000 tonnes in the capital, 150,000 tonnes down on 1989.

At the same time, the Soviet and Russian governments have introduced sudden wholesale price increases for meat, in an urgent effort to boost supplies to state stores and shops. The measures seem unlikely to have any early effect, however, because state farms have already cut their livestock production in response to a virtual doubling of grain

Agricultural officials in Rus. sia and Belorussia say that only a dramatic change in the weather can save the potato crop, although individuals admit it may already be too

testing new projects.

global community.

countries concerned and the

lines be drawn up that set standards for the sustainable

development of forests and

"make a special effort to can-vass the views of interested

NGOs. It also urged changes in

procedures to enable the pro-

There was considerable criti-cism of the slowness of the

TFAP to respond to requests from developing countries for assistance. Interest in the plan

assistance. Interest in the plan from countries with tropical forests has been greater than was expected and FAO's forestry department admitted to the meeting that "implementation of exercises for more than

75 tropical countries has posed

national forestry plans launched under the TFAP actu-

ally under way. Some coun-

Cameroon, have finalised plans but are having difficulty in obtaining funds, partly, it seems, because of criticisms

that their plans give too much prominence to logging.

iries, no:

Only about 6 countries have

gramme to act more quickly.

It suggested that new guide-

Planning for greener forestry

John Madeley on proposals for reforming the "loggers' charter"

THE EUROPEAN Commission is to spend Ecu24m on

protecting the tropical rainforest of Central Africa, the big-gest sum ever allocated by the Commission for an environ-

gest sum ever allocated by the Commission for an environ-mental project outside the Community, writes Lucy Kellaway in Brussels. The money is to be used in seven countries in protected areas, helping them in serveillance and manag-ment of the forest, while allowing the local population to continue to exploit it in a way that is compatible with strengthening its ecosystems. The aim is to establish a regional network of protected areas to serve as sites for testing new protects.

The forest is the second-largest in the world, after the Amazon basin, and is also the nearest to Europe. The grant is part of the new policy under the Lome Convention (a trade

and aid pact between the RC and African, Caribbean and Pacific countries) which puts new stress on protecting the environment in Third World countries.

late. The potatoes currently being harvested are so wet that they may be impossible to keep for more than a few weeks in

Mr Fedor Synko, the prime minister of Belorussia, told the official news agency Tass this week that a combination of bad weather, transport problems, and the continuing fall-out from the Chernobyl nuclear reduced potato supplies.
"Only 53 per cent of the pota-toes have been harvested, in spite of the efforts of 135,000

who are now working in the fields," he said. In Sverdlovsk the city coun-il has ordered all non-essential industrial enterprises to close and send their workers to the fields, in a desperate effort to save both grain and vegeta-

students and school children

In Moscow and Leningrad.

small unit within FAO

that co-ordinates the

forestry plan is now to be strengthened, but there was a north-south divide over whether a new fund should be set up, as recommended in the

review, to assist countries with

their plans. While the south was almost unanimously in

favour, delegates from the north were strongly against. Without support from donor

countries, the fund is unlikely

review team that an interna-

tional forest convention be set up, also sparked divisions. Del-

egates from developing countries were much less enthusias-

tic about the idea than those from industrialised countries.

The convention as envis-

aged, would cover all forests,

both tropical and temperate, and lay down standards, possi-

duct" for their conservation and use. "Forests are essential to the well-being of the entire

world," said the review team.

But there is a suspicion

among developing countries

A recommendation of the

to get off the ground.

both city councils have urged all their citizens to offer their help in the fields over the comcountry's Constitution

Marshal Dmitrl Yazov, the Soviet Defence Minister, has said that 23,000 soldiers are helping with the harvest around Moscow alone, prompting a rash of rumours about an pending military coup. Collective farms in the

Moscow region have already lost a significant proportion of their grain because of the bad weather, expecting now only to save a maximum of 10 to 20 per cent which can be gathered once the ground freezes. The failure of collection means that animal feed is

likely to be in short supply as well, aggravating the meat problem which is already acute throughout the country. The government's belated measure

that a code of conduct would

enable richer nations to tell

them how to manage their for-ests. A Brazilian delegate told

the meeting that such a code would be "wholly inappropri-

that a forest convention should not be considered in isolation

and that although there were

links between forest destruc-

tion, emissions of greenhouse gases and climatic change the problem of the damage done by

the source." Developing countries, he said, contributed very

little to greenhouse gas emis-

The idea of a forest convention is likely to be linked to a

UN environmental programme proposal for a convention on

climatic change and could be agreed together at a major con-ference on the environment

Most industrialised countries

supported the idea of a forest convention although the Japa-

convenient annuagh the Japa-ness delegate described discus-sions as "premature." Mr George Leonard of the US Department of Agriculture For-

est Service said that negotia-tions on a forest convention should not be allowed to hold

back improvements to the Tropical Forest plan. He said that the TFAP had "called

attention to the problems of

although it had so far failed to

"Reform of the TFAP is the

David Turner of Britain's Over-

seas Development Administra-

tion told the meeting: "If we

did not have the TFAP we

would have to develop a mech-anism very much like it."

deforestation"

Brazil in 1992.

massive

lopment planned for

nissions "must be tackled at

Mr N.M. Prasad of India said

to raise wholesale meat prices - six months after a massive grain price rise - has been bitterly criticised as running counter to the entire economic reform programme now being finalised by President Mikhail

Gorbachev. towards genuine market prices, it imposes new central-ly-administered prices, and y-administered prices, and because the government is keeping retail prices frozen, it will add another big burden to the government's already chronic budget deficit.

The only organisation to escape the retail price freeze has been the McDonaids fast

food restaurant in central Moscow, where the price of Big Macs was doubled on October 1 to Rbs6.95, or almost \$12 at the official exchange rate. As a

#### US assesses **Uruguay Round** implications

By Nancy Dumne in

THE US International Trade Commission has made official what few commodity producers doubted: that the US proposals in the Uruguay Round to phase out agricultural quotas and subsidies will hurt many farm-ers and benefit many indus-

tries and consumers. Without sugar quotas in the past two years, the US would have imported some 40 per cent more sugar, prices would have been from 25 to 31 per cent lower and communications. cent lower; and consumers would have saved about \$392m. The US has implemented a new tariff system to replace quotas but imports are not

US quotas on dairy products limit imports to about 2 per cent of annual production. The government also supports the purchase of milk and dairy products, bringing the cost to consumer to about \$651m in

1988 and \$550m in 1989. Eliminating quotas and price supports for American peanuts would have saved consumers \$500m in the past two years. However, the ITC warned, the government could not remove the quota and maintain income supports because it would then end up suppporting world prices of peanuts through

American programmes.

The US has both quotas and tariffs on beef imports. The quotas are so high that they are rarely filled. Tariffs, however, maintain the low level of imports. Without duties, the US same hope imported 11.7 per cent of boneless cow beef in 1988, and prices would have fallen 4.3 per cent. The effects of removing cot-

ton quotas would be quite

small, the FTC said.

WORLD COMMODITIES PRICES

m, 99.7% parity (\$ per tor

LONDON METAL IDICHANGE

Cash 1484-6 3 months 1432-3

Lead (E per tonne)

Cash 412-4 3 months 415-8

Nichel (3 per tonne

Cash 9650-700 3 months 9250-75

Mermaz faces tough task

France's new minister must cope with the stresses

soothing farmers' fears

of social transformation, writes Ian Davidson

N STRICTLY hierarchical terms, Mr Henri Nallet can

be said to have been pro-

moted in this week's surprise reshuffle of the French govern-

which he is taking over, is even more prestigious and at least as challenging politically as the Agriculture Ministry which he has just left.

But he is moving on at a moment of crisis in French

agriculture, marked by repeated farmers' demonstra-

tions and a general atmosphere of conflict between the farmers

and the government, which has got significantly worse under his tenure. The Prime Minister's office insists that Mr

Nallet is not being blamed for the conflict, but it seems clear that the restoration of good

relations with the farmers required a new man in charge of the Agriculture Ministry.

The new minister is Mr Louis Mermaz, former leader of

the Socialist group in the National Assembly and a heavyweight in the party.

Whether he or any new man can quickly resolve the farm-ers' complaints seems doubtful. In any case, the prime minis-ter's office says that the gov-

ter's office says that the government has no financial room for pretending to resolve the problems by any substantial increase in farming subsidies. The litany of the farmers's complaints includes a number of real short-term problems, starting with this year's steep decline in the prices of beef and sheepmeat, as well as the equally real difficulties caused by over two years of severe

by over two years of severe

But it is widely admitted

inside the farming sector that this year's wave of angry dem-onstrations is related at least

as much to the deep anxieties of a rural industry that is fac-

ing increasingly severe

stresses of structural and social transformation, as to the

Henri Nallet: Moving on at a moment of crisis

the import of cheap meat from the import of cheap meat from Britain or from eastern Europe, and complain about the burden of their indebted-ness; but their real anxiety is that they may have no future. These fears vary enormously between different sectors, of course. The most recent assessment by the National Statistical Institute says that 1989 was a good year for farmers, with average gross incomes rising by over 8 per cent in real terms. But whereas incomes in high-quality wine-growing rose by 50 per cent and in pig-rear-ing by 40 per cent, in market gardening it fell by 15 per cent, and in beef it fell slightly.

If high-quality wine is excluded, the French farming

sector is now facing three sorts of structural pressure: the first is demographic, the second is European, and the third is international. The decline in the farming

copulation, which in Britain took place 150 years ago, has been taking place in France ever since World War II, and it is still going on.

A quarter of the population

was on the land 35 years ago; today the proportion is under 8 per cent. The average age of farmers is well over 50, and 30 per cent are over 60; a large proportion of those who take

sors, and by the end of the century the number of farmers is likely to have dropped by half, to 500,000, or even 400,000. These facts are well known. but their political meaning is the slow death of a cartain type of rural society, and above all of a certain image of rural

No doubt that sort of rural France could not expect to sur-vive for ever, but it remains an important part of the imagery of an older generation, and it is being given renewed life with the release of the film versions of Marcel Pagnol's famous rural idyll, La Gloire de Mon

The demographic decline is partly attributable to the reform of the European Comreform of the European Com-munity's Common Agricultural Policy. In the 1960s the CAP's high prices provided enormona incentives for production, pro-ductivity and prosperity. Since the early 1960s, however, the costs of over-production have been too great and farmers have been subject to quotas and restrictions. They now sear that the market supports and import protection provided by the community will be traded away in the Uruguay Round of the Gatt negotiations. As a national money-carner,

farming is an increasingly valuable French industry, with a foreign trade surplus last year of FFr50bn (25bn), which virtually offset the deficit on manufactured goods. But as a sector of French society, it is going through a painful re-structuring, which the new agriculture minister will not be able to alleviate in traditional agricultural terms.

"We must stop weeping over the number of farmers", says a top official. "We must show great consideration for people who feel wounded; but we must try to define new solu-tions for jobs in the rural enviromment." It is easier said than done, and it is not the answer the farmers want to hear.

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22.32 22.85 22.95 23.48 23.78 23.90

28.95 28.80

- ngy <u>1</u>1

## Washington subsidises flour to Yemen

By Nancy Dunne

(Prices supplied by Amelgemeted Metal Trading)

AM Official Kerb close Open Into

1439-40

410-2

9300-60

6210-30 6250-70

PRO-Iraqi sympathies apparently have done little to hurt it in the eyes of the US Department of Agri-culture. Under pressure from farm interests push new offers of farm subsidies, the USDA has announced a number of "initiatives," including an offer white flour to Yemen. Wheat flour offers are made

72,822 lots

112.183 lots

11.027 John

8.874 lots

8,790 lots

18,934 iots

Total delly turnover 2,784 lots

otal daliv tumovar 20.915 iota

Total daily turnover 2,238 lots

Total daily turnover 4,730 lots

regular commercial channels. Exporters than get a "bonus" from USDA's stocks to enable

it "to compete at commercial prices in the Yemeni market." Other recent Export Enhancement Program announcements include: 500,000 tonnes of wheat to Colombia, bringing its current EEP allocation to 515,000 tonnes; 75,000 tonnes of barley 500,000 tonnes of flour to the Soviet Union. Meanwhile, the USDA

reported that American farm exports to the EC dropped 18 per cent in the last fiscal year

cotton and livestock fell. Although the US still ran an Annough the US stat ran an agriculture trade surplus of \$2.350n with the EC, the value, of the trade was 42 per cent below the 1980 peak.

• The Soviet Union has bought its first foreign wheat ters from Moscow. But the grain buying agency Export-khleb, said the amount was nowhere near the 650,000 to 1.2m tonnes forecast by Paris grain traders.

## **MARKET REPORT**

Robusta coffee futures closed ahead in London as the market continued to stage a technical correction to recent losses. Dealers said the market had become oversold during the recent fall, which had been partly inspired by increased sales of Brazilian coffee in the physical market. Physical activity now, however, appears to have largely dried up. Prices should now hold in a tight range with a close above £820 a tonne for January needed for charts to flag a rise. By midday were ahead, but the market was falling to generate the buying

#### **London Markets**

SPOT MARKETS	<del></del>	
Crede oil (per barrel FOB)		+ 07 -
Dubel Brant Bland (dated) Brant Bland (November) W.T.L. (1 pm est)	\$31.05-1,15y \$36.05-6.20 \$35.05-6.15 \$36.42-6.45y	175 -0.10
Off products (NWE prompt delivery per t	onne CIF)	+ or-
Premium Gasoline Gas Oil Heavy Fuel Oil Nachtha Petroleum Argus Estimates	\$407-412 \$322-323 \$134-137 \$374-376	+2 <sup>1</sup> / <sub>2</sub> + <sup>1</sup> / <sub>2</sub>
Other		+ 67 -
Gold (per troy oz)de Silver (per troy oz)de Platinum (per troy oz) Palladium (per troy oz)	\$390.50 470c \$443.1 \$99.20	-8.00 -1 +0.5 -0.05
Aluminium (free market) Copper (US Producer) Lead (US Producer) Nickel (free market) Tin (Kuele Lumpur market) Tin (Riew York) Zinc (US Prime Western)	\$1975 1326 45c 4436 18.41r 2900 73c	+10 +18 -0.17
Cattle (live weight)† Sheep (dead weight)† Pigs (live weight)†	98.59p 121.95p 74.37p	-1.60° -9.05° -4.03°
London delly suger (raw) London delly suger (white) Tate and Lyle export price		-0.6 -1
Barley (English feed) Maize (US No. 3 yellow) Wheat (US Dark Northern)	ደ117y ድ185.0 ድ80	+0.5
Rubber (Nov)♥ Rubber (Dec)♥ Rubber (KL RSS No 1 Nov)	62,25p 52,50p 238,5m	-0.25 -0.25 -1.0
Coconut oil (Philippines)§ Palm Oil (Melayslan)§ Copra (Philippines)§	\$272.5v \$282.0 \$197.5t	-2.5 -5.5
Soyabeans (US) Cotton "A" index Wooltops (S4e Super)	2144 80.75c 436p	+0,45

C a tonno uniess otherwise stated, p-pence/kg. c-cents/fb. r-ringgit/kg. q-Nov/Dec. t-Dec. u-Od/ Doc v-Oct/Nov. w-Oct z-Aug/Sep y-Nov. †Meet ission average fatetock prices. " change from a week ago. Whondon physical market. SCIF Rotterdem. - Buillon market close. m-Ma-

upside resistance. On the BFE. freight futures were sharply up on continued technical buying on the back of a change of sentiment in the physical market. In Chicago pork bellies were up the 2 cent limit for February and March at midday. Last week's sharp reduction of bellies in ware

plus strong cash prices this week to limit up at the opening. Total CME warehouse supplies fell to 26.274m lbs a year ago. "That is the smallest amount of bellies In storage in history," said one

Co	mpiled	a con m		
SUÇA	t – Lond	on FOX	(\$ per ton	ne)
Rew	Close	Previous	High/Low	
Dec	231.00	236.00	241.00 231.00	_
Mar	220.40	225.40	227.40 219.20	
May	222.00	227.60	226.00 220.60	
Aug Oct	223.50 222.80	228.20 226.20	230.00 228.00 228.00 228.00	
Dec	222.00	226.20	225.00 225.00	
White	Close	Previous		_
				_
Dec	298.0 297.0	303.2	303.8 297.5 302.0 298.0	
May	297.0	801.5 301.5	302.4 297.0	
Aug	304.5	306.0	310.0 309.0	
White 5	118 (334)		its of 50 tonnes. Dec 1576 May 18	17
White 5 Paris- \ May 15	118 (334) White (FFr	per tonne): 600, Oct 15	Dec 1536 Mar 16	_
White 5 Paris- \ May 15	118 (334) White (FFr 85, Aug 1	per tonne): 600, Oct 15 PE	Dec 1535 Mar 18 60 S/ber	_
White 5 Paris- \ May 15	118 (334) White (FFr 85, Aug 1 1 Ott. — II Close	per tonne): 600, Oct 15 PE Previo	Dec 1535 Mar 18 60 S/ber	_
White 5 Paris- \ May 15 CRUBH Nov Dec	118 (334) White (FFr 65, Aug 1 Close 38,62 34,96	per tonne): 600, Oct 15 PE e Previo 2 33.83 32.77	Steer 1536 Mar 15 80 Steer us. High/Low 36.70 34.25 36.20 33.10	_
White 5 Paris-1 May 15 CRANN Nov Dec Jen	118 (334) White (FFr 85, Aug 1 Close 36,62 34,96 34,10	per tonne): 600, Oct 15 PE Previo 33.83 32.77 31.75	S/ber 1536 Mar 16 80 S/ber us High/Low 26.70 34.25 35.20 33.10 34.10 37.95	_
White 5 Paris- \ May 15 May 15 ORABE Nov Dec Jan Feb	118 (334) White (FFr 85, Aug 1 Close 36,63 34,10 33,00	per tonne): 600, Oct 15 PE Previo 33.83 32.77 31.75 30.85	36.70 34.25 36.20 31.95 31.20	_
White S Paris- Nay 15 CRUBS Nov Dec Jan Feb Mar	118 (334) White (FFr 85, Aug 1 Close 38,63 34,90 34,10 33,00 32,25	per tonne): 600, Oct 15 PE Previo 2 33.83 32.77 3 32.75 3 30.85 3 30.25	S/ber 1536 Mar 15 60 S/ber us. High/Low 36,720 33,10 34,10 31,95 31,20 30,35 30,30	_
White S Paris Nay 15 CRUBBS Nov Dec Jan Feb Mar Aor	118 (334) Miles (FFr 85, Aug 1 Close 36,62 34,10 33,00 32,20 31,25	per tonne): 600, Oct 15 PE Previo 2 33.83 32.77 31.75 30.85 5 30.25 5 20.50	36.70 34.25 36.20 31.95 31.20	_
Nov Dec Jan Feb Mar Apr	118 (33-0) White (FFr 55, Aug 1  Close 38,62 34,10 33,00 32,20 31,25 ex 35,63	per tonne): 600, Oct 15 PE Previo 2 33.83 32.77 31.75 30.85 30.25 5 29.50 37.67	S/ber 1536 Mar 15 60 S/ber us. High/Low 36,720 33,10 34,10 31,95 31,20 30,35 30,30	_
White 5 Paris-1 May 15 May 15 CHUBS Dec Jen Feb Mar Apr RFE Ind	118 (334) Miles (FFr 85, Aug 1 Close 36,62 34,10 33,00 32,20 31,25	per tonne): 600, Oct 15 PE Previo 2 33.83 32.77 31.75 30.85 30.25 5 29.50 37.67	S/ber 1536 Mar 15 60 S/ber us. High/Low 36,720 33,10 34,10 31,95 31,20 30,35 30,30	<u>~</u>
White 5 Paris-1 May 15 May 15 CHUBS Dec Jen Feb Mar Apr RFE Ind	118 (33-0) White (FFr 55, Aug 1) Close 35,63 34,10 33,03 31,25 ex 35,63	per tonne): 600, Oct 15 PE Previo 2 33.83 32.77 31.75 30.85 30.25 5 29.50 37.67	Dec 1836 Mar 18 80 S/bar us High/Low 38,70 34,25 36,20 33,10 34,10 31,95 31,20 30,35 30,30 29,58	<u>~</u>
White 5 Paris-1 Paris-1 May 15 CRESSE	118 (334) White (FFr 55, Aug 1 7 7 7 55, Aug 1 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7	per tonne): 600, Oct 15 PE  Previous  Previous  Previous	Dec 1836 Mar 18 80 S/bar us High/Low 38,70 34,25 36,20 33,10 34,10 31,95 31,20 30,35 30,30 29,58	<u>~</u>
White 5 Paris-1 May 15 COURSE Nov Dec Jan Feb Mar Apr #FE Ind Turnow GAS Of	118 (334) White (FFr 655, Aug 1  Glob. — B  Glob. — B  36,62 34,16 33,00 32,22 31,22 at 35,53 at 36,22 at 35,53	per tonne): 600, Oct 15 PE  Previous 31.63 32.77 31.75 30.85 30.85 30.85 30.85 37.67 (4886)  Previous 314.50	Dec 1636 Mar 18 80 Sher us High/Low 36,70 34,25 35,20 33,70 34,10 31,95 31,20 30,35 30,30 29,58 Short High/Low 317,00 398,00	<u>~</u>
White 5 Paris-1 May 15 May 15 CREEDS Nov Dec Jen Jen Feb Mar Apr Apr GAS Of	118 (334) White (FFr 55, Aug 1 7 7 7 55, Aug 1 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7	per tonne): 600, Oct 15 PE  Previous  Previous  Previous	Dec 1636 Mar 18 80 2/ber us High/Low 38.70 34.25 36.20 33.10 34.10 31.95 31.20 30.35 30.30 29.58 \$/ton High/Low 317.00 308.00 309.00 309.00	<u>~</u>
White 5 Paris-1 Paris-1 Ney 15 CREENI Nov Dec Jan Feb Mar Apr Apr Apr Apr GAS Of Nov Dec Jan	1118 (334) 1118 (334) 1108. — II 108. — I	per tonnel: 600, Oct 15 PE	20c 1636 Mar 18 20 2/bar 18 High/Low 38,70 34,25 38,20 33,10 34,10 33,95 31,20 30,35 30,30 29,58 317,00 398,00 307,00 398,00 307,00 284,00 281,50 285,00	<u>~</u>
White 5 Paris 1 Nov Dec Jan Pel Ind Turnow GAS Of	1118 (334) White (FFr 65, Aug 1 1 064. — B 36,63 34,10 33,00 32,22 31,22 81 36,63 97 16623 (L. — RPE 216,00 307,73 300,60	per tonnel: 600, Oct 15 PE	Dec 1636 Mar 19 80 Sher  a. High/Low 36,70 34,25 31,20 33,95 31,20 30,35 30,30 29,56  High/Low 317,00 308,00 309,00 309,00 307,00 294,00	<del></del>

Turnover 14343 (19426)lots o agricultural minister, has b him. Rumours abound as k Nim. Rumours abound as to its contents.
Another rise in the woof tax on grovers seems probable, from 18pc to 25pc. There is some talk of ulsughtering up to 20pc of Australia's sheep, 35 million out of the total. Auctions continue meanwhile with up to 80pc bought in by the Woof Corporation at reserve price. The surplus applies throughout the world at lower prices. With major wool buying areas in the Soviet Union and Eastern Europe, as well as the Fer East, out of action for an indefinite period the crisis tooks set to continue.

COCOA - London FOX £/tonne 725 762 786 805 827 853 877 730 714 785 751 788 775 807 800 829 821 850 847 880 872 Turnover: 4312 (5436) lots of 10 tonnes ICCO indicator prices (SORs per tonn price for Oct 2 956.17 (965.79) 10 day for Oct 3 974.00 (977.46) COPPEE - London POX £/tonn Close Previous High/Low 581 601 602 616 629 644

outers.	Sep	655	544	850 548	
(\$ per tonne) High/Low 241.00 231.00	ICO Ind	icator pr omp. dai	3052) lots o loss (US c ly 74.04 (73	of 5 tonnes ents per po 1.37). 15 day	ound)
227.40 219.20 228.00 220.80	POTAT	025 - B	FE		£/ter
230.00 228.00 228.00 228.00		Close	Previous	High/Low	
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High/Low	May	145.3 161.0	143.9 158.7	145.5 143. 160.0	5
303.6 297.5 302.0 296.0 302.4 297.0 310.0 309.0	Turnove		) lots of 40		
ots of 50 tonnes.	SOYAL		AL - SFE		£/hor
Dec 1575 May 1817		Close	Previous	High/Low	
: Dec 1535 Mar 1537, eo	Dec	113.50	112.00		
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us High/Low	FREEGR	ir rutus	NES - 27	t \$10/m	dex po
36.70 34.25 36.20 33.10		Close	Previous	High/Low	
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31.20 30.35 30.30	Nov	1270	1230	1270 1245	
29.58	Jen Apr	1259 1248	1235	1259 1235 1245 1235	
	انك	1050		1100	
		1163	1165		
\$/601010	Turnove	r 398 (34	0)		
High/Low					
317.00 508.00	CRAIN	i – BFE			£itor
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291.50 285.00	Nov	114.40	114.20	114.50 114	
279.00 268.00 262.00 255.00	Jan	118.60	118.35	118.65 118	
250.00 245.00	Mer	122.25 125.60	121.90 125.50	122.30 122 125.60 125	
245.00	May				
f 100 tonnes	Barley	Close	Previous	High/Low	
	Nov Jan	112,45 116,70	112.25 118.40	112.50 112 118.70 116	
or by Australia's	Mer	119.80	119.50	i idaya 110	
een submitted to	May	120.95		120.65	
o its contents.	_ <u></u>	r Wheet	186 (213)	Barley 106	(117).
x on growers to 25pc. There is			100 tonnes.		
no to 20 oc of				-	

17GS - BFE

101.0 101.5 93.0

Turnover 25 (5) lots of 3,250 kg

(Cash Settle

Previous High/Low

102.5 102.5 96.0

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	Tin (5 per ton					
	Cesh 6	170-80 230-40		6280-3 6820-8		8170/6 6280/6
						0290/6
	Ziac, Special	High (		( <u>2</u> bet (	onne)	
		365-70		1375-E		1355/1
		355-7		1384-6	<u> </u>	1862/1
_	LME Closing	\$/\$ m	de;			
	SPOT: 1,9005			8 ment	hs: 1,80	392
tor						
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100	LONDON BU					
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	ONY S IVE	300-3	99-2			
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	Mapleteet Britannia	400-4 400-4	US 195		1-214	
	US Eagle	400-4		2	11-214	
	Angel	400-4		2	11-214	
	Krugerrand	380 12	-3912	20	5-207	
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aint.	Noble Plat	912	1455.5 1455.5	<b>4</b>	6.75-2	
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	Spot	247.7	_		9.15	<del></del>
	3 months	257,1			5.85	
	6 months	265.8	5	40	92.50	
	12 months	282.8	5	50	7.15	
		-				
	TRADED OPT	_				
			-	ilis	F	Table .
_	Alaminium (9	B.7%)		ulis		uta.
ene	Aleminium (3 Strike price \$	B.7%)	Nov	معل	Nov	Jan
100	Aluminium (9) Strike price \$ 1750	B.7%)	Nov 227	Jan 140	Nov 14	Jan 54
416	Aluminhos (2) Strike price 3 1730 1850	B.7%)	Nov 227 151	Jan 140 87	Nov 14 37	Jan 54 99
200 —	Aluminium (9) Strike price \$ 1750	B.7%)	Nov 227	Jan 140	Nov 14	Jan 54
ene	Aleministra (9 Strike price \$ 1750 1850 1950	8.7%) i tonne	Nov 227 151 91	Jan 140 87	Nov 14 37 76	Jan 54 99
<u> </u>	Alumintum (9) Strike price \$ 1750 1850 1850 Copper (Grad	8.7%) i tonne	Nov 227 151 91	Jan 140 87 51	Nov 14 37 76	Jan 54 99 160
100	Aleministra (9 Strike price \$ 1750 1850 1950	8.7%) i tonne	Nov 227 151 91 Gr	Jan 140 87 51	Nov 14 37 76	Jan 54 99 160
	Aleminium (8) Strike price \$ 1750 1850 1850 Copper (Grad 2800	8.7%) i tonne	Nov 227 151 91	Jan 140 87 51 ells	Nov 14 37 76 F	Jan 54 99 160
	Alemintuse (8: Strike price 3 1750 1850 1850 1850 2800 2700 2800	8.7%) i tonne	227 151 91 Gr 190 116 66	Jan 140 87 51 51 152 104 68	Nov 14 37 76 F 19 46 92	34 99 160 183 136 199
	Aleminisse (8) Strike price 3 1730 1850 1850 Capper (Gred 2800 2700	8.7%) i tonne	Nov 227 151 91 Gr	Jan 140 87 51 ells 152 104	Nov 14 37 76 F	Jan 54 99 160 Nts
<del></del>	Aleministe (8 Strike price \$ 1750 1850 1850 Copper (Grad 2800 2700 2800	8.7%) i tonne	227 151 91 Gr 190 118 66	140 87 51 152 104 68	14 87 76 F 19 46 92 Nov	34 99 160 Mbs 88 136 199
	Aleminises (8 Strike price 3 1750 1850 1850 Cepper (Grad 2800 2700 2800 Coffee	8.7%) i tonne	Nov 227 151 91 Ge 190 118 65 Nov	Jan 140 87 51 51 152 104 68	14 87 76 F 19 46 92 Nov	54 99 160 160 58 136 198
	Aleministe (8 Strike price \$ 1750 1850 1850 Copper (Grad 2800 2700 2800	8.7%) i tonne	227 151 91 Gr 190 118 66	140 87 51 152 104 68	14 87 76 F 19 46 92 Nov	34 99 160 Mbs 88 136 199
	Aluminhme (8) Strike price \$ 1730 1850 1850 1850 Cepper (Grad 2800 2700 2800 Coffee 650 600 650	8.7%) i tonne	227 151 91 190 118 65 Nov 48 14 2	Jan 140 87 51 152 104 68 Jan 71 39	Nov 14 37 76 F 19 46 92 Nov 2 17 55	Jan 54 99 160 Whs 88 136 199 Jan 9 27
	Aluminiane (8) Strike price \$ 1730 1850 1850 1850 Copper (Grad 2800 2700 2800 Coffee 650 600 650 Coccs	8.7%) i tonne	Nov 227 151 91 190 116 68 Nov 48 14 2	Jan 140 87 51 51 152 104 68 Jan 71 39 19	Nov 14 37 76 F 19 46 92 Nov 2 17 55	Jan 54 99 160 Was 88 138 198 Jan 9 27 57 Mar
<del>-</del>	Aleministe (8: Strike price \$ 1750 1850 1850 1850 Copper (Grad 2600 2700 2800 Coffee 650 Cocos 700	8.7%) i tonne	Nov 227 151 91 190 116 65 Nov 48 14 2 Dec	Jan 140 87 51 51 152 104 68 Jan 71 39 19	Nov 14 37 76 F 19 46 92 Nov 2 17 55 Doc 23	Jan 54 99 160 Vils 88 136 199 Jan 9 27 67 Mar
The state of the s	Aleminises (8: Strite price \$ 1750 1850 1850 Cepper (Grad 2800 2700 2800 Coffee 650 600 650 Coccs 700 750	8.7%) i tonne	190 Gr 191 195 65 Nov 48 14 2 Dec 50 25	Jan 140 87 51 152 104 68 Jen 71 39 19 Mar 99 71	Nov 14 37 76 19 46 92 Nov 2 17 55 Doc 23	Jan 54 99 160 Uss 88 136 199 Jan 9 27 57 Mar 34 86
<del>-</del>	Aleministe (8: Strike price \$ 1750 1850 1850 1850 Copper (Grad 2600 2700 2800 Coffee 650 Cocos 700	8.7%) i tonne	Nov 227 151 91 190 116 65 Nov 48 14 2 Dec	Jan 140 87 51 51 152 104 68 Jan 71 39 19	Nov 14 37 76 F 19 46 92 Nov 2 17 55 Doc 23	Jan 54 99 160 Vils 88 136 199 Jan 9 27 67 Mar
<del>-</del>	Aleministe (8: Strike price \$ 1750 1850 1850 1850 Copper (Grad 2800 2700 2800 Coffee 650 600 Gocos 700 750 800	8.7%) i tonne	Nov 227 151 91 190 116 66 Nov 48 14 2 Dec 50 25 13	Jan 140 87 51 51 152 104 68 Jen 71 39 19 Mar 99 71 51	Mov 14 57 76 19 46 92 Nov 2 17 55 Dec 23 46	Jan 99 160 136 136 136 136 136 136 136 136 136 136
<del>-</del>	Aleministe (8: Strike price \$ 1750 1850 1850 1850 Copper (Grad 2800 2700 2800 Coffee 650 Cocos 700 750 800 Briest Crude	8.7%) i tonne	190 Gr 191 195 65 Nov 48 14 2 Dec 50 25	Jan 140 87 51 152 104 68 Jan 71 38 19 19 71 51 51 51	Nov 14 37 76 19 46 92 Nov 2 17 55 Doc 23	Jan 54 99 160 Uss 88 136 199 Jan 9 27 57 Mar 34 86
<del>-</del>	Aluminhme (8) Strike price \$ 1730 1850 1850 1850 Cepper (Grad 2800 2700 2800 Coffee 650 Gooss 700 Rooss 700 Rooss 700 Rooss 700 Rooss 700 Rooss	8.7%) i tonne	Nov 227 151 91 190 116 66 Nov 48 14 2 Dec 50 25 13	Jan 140 87 51 51 152 104 68 Jen 71 38 19 Mar 99 71 51	Mov 14 57 76 19 46 92 Nov 2 17 55 Dec 23 46	Jan 99 160 136 136 136 136 136 136 136 136 136 136
<del>-</del>	Aleminisms (8) Strike price \$ 1730 1850 1850 1850 1850 Copper (Grad 2800 2700 2800 Coffee 550 600 600 Cocos 700 Reset Crude 3600 3650	8.7%) i tonne	Nov 227 151 91 190 116 66 Nov 48 14 2 Dec 50 25 13	Jan 140 ar 51 siles 152 104 68 Jan 71 38 19 14 51 51 51 51 51 51 51 51 51 51 51 51 51	Mov 14 57 76 19 46 92 Nov 2 17 55 Dec 23 46	Jan 99 160 136 136 136 136 136 136 136 136 136 136
<del>-</del>	Aluminhme (8) Strike price \$ 1730 1850 1850 1850 Cepper (Grad 2800 2700 2800 Coffee 650 Gooss 700 Rooss 700 Rooss 700 Rooss 700 Rooss 700 Rooss	8.7%) i tonne	Nov 227 151 91 190 116 66 Nov 48 14 2 Dec 50 25 13	Jan 140 87 51 152 104 68 Jan 71 38 19 19 71 51 51 51	Mov 14 57 76 19 46 92 Nov 2 17 55 Dec 23 46	Jan 99 160 136 136 136 136 136 136 136 136 136 136
<del>-</del>	Aleminisms (8) Strike price \$ 1730 1850 1850 1850 1850 Copper (Grad 2800 2700 2800 Coffee 550 600 600 Cocos 700 Reset Crude 3600 3650	8.7%) i tonne	Nov 227 151 91 190 116 66 Nov 48 14 2 Dec 50 25 13	Jan 140 ar 51 siles 152 104 68 Jan 71 39 19 14 51 Dec 255	Mov 14 57 76 19 46 92 Nov 2 17 55 Dec 23 46	Jan 99 160 136 136 136 136 136 136 136 136 136 136

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	901	עסש נאטר ע	cz.; \$/troy	<u> </u>	
		Close	Previous	High/Lo	~
	<u></u>	393.9	389.1	394.0	368.5
	Nov	396.1	391.5	0	0
	Dec	39B.5	393.9	390.0	392.5
_	Feb Apr	428.0 406.5	398.0 401.9	402.8 408.1	397.2 400.7
	Trial Color	410.6	406.1	410.9	410.9
_	Aug	414,4	409.9	0	0
	Oct	418.8	414.3	0	e
	Dec	423.2	418.7	421.5	421.5
					-
					,
	PLAT	<b>MAJN</b> 50 t	roy oz; \$/tn	oy cz.	
		Close	Previous	High/Lo	<del>-</del>
_	Oct	439.6	448.6	441.5	438.5
	Jan	444.9	448.4	448.4	442.5
	Арг	450.9	455.4	452.0	448.5
	Jul	456.3	460.9	457.7	457.7
	Oct	461.8	405.4	0	0
-		T 5 000 0			
_	SZVE		ty oz, cent		<del></del>
<u>=</u>	SZVE	R 5,000 tr	oy oz, cent	utroy oz. High/Lor	
<u>-</u>	SZLVE Oct		Previous	High/Lov	486.0
<u>-</u> -	Oct	Close 469.0 471.4	Previous 467.9 470.6	High/Los 468.0 0	486.0
<u>-</u> -	Oct Nov Dec	Glose 469.0 471.4 475.3	Previous 467.9 470.6 474.5	High/Los 488.0 0 478.5	406.0 · 0 472.0
<del>-</del>	Oct Nov Dec	469.0 471.4 475.3 477.5	Previous 467.9 470.6 474.5 478.8	488.0 0 478.5 477.0	466.6 0 472.0 477.0
  	Oct Nov Dec Jen Mar	Glose 482.0 471.4 475.3 477.5 485.6	Prendous 467.9 470.6 474.5 478.8 484.8	High/Lon 468.0 0 476.6 477.0 486.5	486.0 0 472.0 477.0 482.5
	Oct Nov Dec	469.0 471.4 475.3 477.5	Previous 467.9 470.6 474.5 478.8	488.0 0 478.5 477.0	486.6 0 472.0 477.0 482.5 491.0
	Oct Nov Dec Jen Mar May Jul Sep	Close 489.0 471.4 475.3 477.5 485.6 482.4 489.4 506.8	Previous 467.9 470.6 474.5 478.8 484.8 491.8	High/Lox 488.0 0 478.5 477.0 486.5 483.0 800.0 806.0	480.0 0 472.0 477.0 482.5 491.0 497.5 606.0
	Oct Nov Dec Jan Mar May Jul Sep Dec	Close 489.0 471.4 475.3 477.5 486.8 482.4 489.4 508.8 517.1	Previous 467.5 470.5 474.5 478.8 484.8 491.8 498.6 508.1 516.4	High/Lov 468.0 0 476.5 477.0 486.5 483.0 806.0 518.5	488.0 0 472.0 477.0 482.5 491.0 497.5 606.0 514.9
	Oct Nov Dec Jen Mar May Jul Sep	Close 489.0 471.4 475.3 477.5 485.6 482.4 489.4 506.8	Previous 467.9 470.6 474.5 474.5 476.8 484.8 481.8 498.6 608.1	High/Lox 488.0 0 478.5 477.0 486.5 483.0 800.0 806.0	480.0 0 472.0 477.0 482.5 491.0 497.5 606.0
   	Oct Nov Dec Jan Mar May Jul Sep Dec	Close 489.0 471.4 475.3 477.5 486.8 482.4 489.4 508.8 517.1	Previous 467.5 470.5 474.5 478.8 484.8 491.8 498.6 508.1 516.4	High/Lov 468.0 0 476.5 477.0 486.5 483.0 806.0 518.5	488.0 0 472.0 477.0 482.5 491.0 497.5 606.0 514.9
	Oct Nov Dec Jan Mar May Jul Sep Dec	Close 489.0 471.4 475.3 477.5 486.8 482.4 489.4 508.8 517.1	Previous 467.5 470.5 474.5 478.8 484.8 491.8 498.6 508.1 516.4	High/Lov 468.0 0 476.5 477.0 486.5 483.0 806.0 518.5	488.0 0 472.0 477.0 482.5 491.0 497.5 606.0 514.9
	Oct Nov Dec Jan Mar Mary Jul Sep Dec Jan	Close 469.0 471.4 475.3 477.5 486.6 482.4 492.4 508.8 517.1 520.3	Previous 467.5 470.5 474.5 478.8 484.8 491.8 498.6 508.1 516.4	1994-00 478.6 477.0 478.5 486.5 483.0 500.0 506.0 518.5 0	400.0 0 472.0 477.0 482.5 491.0 497.5 506.0 514.9 0
	Oct Nov Dec Jan Mar Mary Jul Sep Dec Jan	Close 489.0 471.4 476.3 477.5 486.8 482.4 489.4 506.8 517.1 520.3	Previous 467.9 470.8 470.8 474.5 476.8 484.8 491.8 496.8 696.1 516.4 519.8	#88.0 0 478.6 477.0 486.5 483.0 500.0 508.0 518.5 G	468.0 0 472.0 477.0 482.5 497.5 605.0 514.9 0
	Oct Nov Dec Jen Many Jul Sep Dec Jen	Close 469.0 471.4 475.3 477.5 485.6 492.4 488.4 508.8 517.1 520.3	Previous 467.9 470.8 470.8 474.5 476.8 484.8 491.8 496.8 698.1 516.4 519.8 Previous	15gh/Lov 458.0 0 476.5 477.0 486.5 493.0 500.0 505.0 518.5 6	488.0 0 472.0 477.0 482.5 482.5 491.0 487.5 505.0 514.9 0
	Oct Nov Dec Jan Mar Mary Jul Sep Dec Jan	469.0 471.4 471.5 477.5 485.6 482.4 489.4 506.8 517.1 520.3 GRADE C	Previous 467.9 470.5 470.5 470.5 476.8 484.8 491.8 498.6 608.1 516.4 519.6 Previous 126.65	High/Lov 488.0 0 478.6 477.0 486.5 483.0 808.0 518.5 C	488.0 0 472.0 477.0 482.5 487.5 506.0 514.9 0
	Oct Nov Dec Jan Mar May Jul Sep Dec Jan	GRADE C Close  489.0 471.4 476.3 477.5 486.6 482.4 482.4 500.5 517.1 520.3	Previous 467.9 470.5 470.5 474.5 476.8 491.8 491.8 591.6 519.6 Frevious 125.55 122.10	High/Lov 498.6 477.6 477.0 498.5 498.5 500.0 500.0 508.6 518.5 6	488.0 0 472.0 477.0 482.5 481.0 497.5 606.0 514.9 0
	Oct Nov Dec Jan Mar Mary Jul Sep Dec Jan	Close  469.0 471.4 476.3 477.5 486.6 482.4 482.4 508.8 517.1 520.3  GRADE C Close 130.00 125.00	Previous 467.9 470.5 470.5 470.5 470.8 481.8 480.8 500.1 516.4 519.8 Previous 126.55 122.10 118.36	High/Lov 478.5 478.5 477.0 488.5 488.0 800.0 800.0 818.5 0 100 lbs; ce 149gh/Lov 130.00 125.00	488.0 0 472.0 477.0 482.5 487.5 506.0 514.9 0
	Oct Nov Dec Jan Mar May Jul Sop Dec Jan	GRADE C Close  489.0 471.4 476.3 477.5 486.6 482.4 482.4 500.5 517.1 520.3	Previous 467.9 470.5 470.5 474.5 476.8 491.8 491.8 591.6 519.6 Frevious 125.55 122.10	High/Lov 498.6 477.6 477.0 498.5 498.5 500.0 500.0 508.6 518.5 6	488.0 0 0 472.0 477.0 482.5 481.0 487.5 606.0 514.9 0
	Oct Nov Dec Jen Mar May Jul Sep Dec Jen Oct Nov Dec Jen Mar Apr	GRADE C Close  469.0 471.4 475.3 477.5 485.8 506.8 507.1 520.3  GRADE C Close 130.00 125.00 121.00 118.30 112.35	Previous 467.9 470.5 470.5 470.5 470.8 481.8 490.8 510.4 510.8 510.8 Frevious 126.65 112.36 111.36 111.36 111.35	High/Lov 478.5 477.5 477.5 483.0 800.0 800.0 808.0 818.5 0 190.00 125.00 125.00 124.40 0	488.0 0 0 472.0 477.0 482.5 481.0 487.5 506.0 514.9 0 125.00 125.00 117.00 0 0
	Oct Nov Dec Jan Mar May Sep Dec Jan HIGH Oct Nov Des Jan Mar Apr Mey	GRADE C GRADE C 130.00 113.90 113.90 113.90	Previous 467.9 470.5 474.5 474.5 474.8 484.8 491.8 491.8 519.4 519.4 519.4 519.5 1	High/Lon 478.5 478.5 478.5 483.0 800.0 518.5 G 190.00 192.00 1125.00 114.40 C 111.80	488.0 · 0 · 472.0 · 477.0 · 482.5 · 481.0 · 497.5 · 506.0 · 514.9 · 0 · 125.00 · 125.00 · 117.40 · 111.00 · 0 · 108.80
	Oct Nov Dec Jen Mar May Jul Sep Dec Jen Oct Nov Dec Jen Mar Apr	GRADE C Close  469.0 471.4 475.3 477.5 485.8 506.8 507.1 520.3  GRADE C Close 130.00 125.00 121.00 118.30 112.35	Previous 467.9 470.5 470.5 470.5 470.8 481.8 490.8 510.4 510.8 510.8 Frevious 126.65 112.36 111.36 111.36 111.35	High/Lov 478.5 477.5 477.5 483.0 800.0 800.0 808.0 818.5 0 190.00 125.00 125.00 124.40 0	488.0 0 0 472.0 477.0 482.5 481.0 487.5 506.0 514.9 0 125.00 125.00 117.00 0 0

CRUD	E OIL (Li	phr) 42,000	US gelis \$/	berrei	C I	ilcag	ю.		• •
	Close	Previous	High/Lov	,					
Nov	37.32	38.95	37.45	34.30	- <u>scy/</u>	EERNS 5	polim ad 600	conts/60th b	unipel
Dec	36.17	35.81	38.25	33.81		Close	Previous	High/Low	
Jen Feb	34.82 33.64	34.25 32.90	35.00 83.70	32.25 31.15	Nov	620/0	606/2	625/4	609/2
Mar	32.56	81.95	83.00	30.00	Jen Mer	634/4	621/0 634/2	640/0	824/0
Apr	31.55	30.50	31.15	29.00	May	647/2 856/2	644/2	853/0 . 862/2	657/4 647/4
May Jun	30.62 29.77	29.45 28.50	29.80 28.73	28.30 27.50	Jui	664/6	652/2	670/2	655/4
Jul	29.02	27.70	27.80	26.56	Aug Sep	657/4	647/0	. 663/6	656/0
Aug	28.39	27.05	27.50	25.90	. Nov	631/0 620/2	<b>626</b> /0 616/2	0 <b>624/</b> 8	0 617/4
HEATI	NG CIL 4	2,000 US ga	illa, centa/	US galls					
	Close	Previous	High/Low	<del>,                                    </del>	SOYA	BEAN OIL	60,000 lbs,	cents/ft)	
Nov	8941	9203	9950	9410		Close	Previous	High/Low	
Dec	9977	9949	9977	9490	Oct	22.40	22.52	22.77	92.32
Jen Feb	9908 9455	9753 9253	9830 9500	2350 8860	Dec	22.68	22.79	29.07	22.65
Mar	9008	8778	9100	8500	Jen Mor	23.00 23.45	23.08 23.49	23.34	22.95
Apr	8558 8258	8308	8300	8280	May	29.79	23.79	23.78 24.05	28.43 23.78
May Jun	805B	7966 7743	8050 7845	8000 7825	ألاك	23.95	23.90	24.15	23.90
34	7968	7843	7625	7620	Aug Sep	23.95 23.82	23.90	24.10	28.95
COCO	A 10 toen	es;\$/tonne	3				28.77	24,89	28,80
	Close	Previous	High/Low		. <u></u>		LL 100 tons,	\$/ton	
Dec	1245	1280	1265	1233		Close	Previoue	High/Low	
Mar	1295	1311	1314	1284	Oct	183.5	175.5	184.5	176.0
May	1322	1340	1328	1318	Dec Jan	188.4 189.7	180.8 182.7	189.5 190.8	182.0 184.0
Jul Sep	1352 1387	1369 1400	0 1576	0 1376	Mar	191.4	185.4	192.5	126.0
Dec	1428	1487	1419	1419	May Jul	192.2 192.0	188.7	199.0	188.0
Mar	1480	0	0	0	Aug	190.5	187.5 187.2	193.0 191.7	189.0 187.5
COFFE	37 °C⁻ 37	,500lbe; cer	119/100		Sep	188.6	184.3	189,5	186.5
	Cicee	Previous	High/Low		HAZ	E 5,000 bu	min; cents/5	845 bushel	٠.
Des	94.10	93.50	94.45	93.70		Ciosa	Previous	High/Low	
Mar May	97.40 99.75	96.75 99.00	97.70 99.80	97.00 99.05	Dec	229/0	225/2	282/0	228/2
ألال	101.25	101.10	101.75	101.50	Mar	238/4	234/6	241/0.	235/6
Sep	102.50	102.70	103.50	103.00	May Jul	244/0 247/6	240/4 244/2	245/4 250/2	941/4 246/0
Dec Mar	105.75 107.25	105.00 107.25	0	9	Sec	245/4	243/2	247/0	245/2
		**** 112,0			Dec	248/0 254/0	245/4	249/2	245/0
	Close					40 MU	251/4	255/2	253/6
		Previous	High/Low		WHEA	T 5.000 bu	min; cents/	ACTION AND AND AND AND AND AND AND AND AND AN	
Mer Mev	9.82 9.85	10.10 10.13	10.12 10.13	9.76 9.82	_	Close	Previous	High/Low	<del>· · ·</del>
Jul	2.85	10.11	10.14	9.82	Dec	274/2			
Oct Mar	9.80 9.90	10.15 10.20	10.16 0	9.84 C	Mer	288/2	272/2 286/2	277/0 281/0	273/0 286/4
		cents/fbs	<u> </u>		May	295/4	298/4	206/4	294/0
					Sep	300/4 305/0	298/4 303/4	303/2 307/4	309/4 305/0
	Close	Previous	High/Low		Dec	815/4	312/4	·316/0 ′	315/4
Oct Dec	71.25 72.03	72.70 72.35	72.75 72.85	71.25 72.00	LIVE	ATTLE 40	,000 libe; cen	tu/lbe	. 1.7
Mar	72.73	73.15	73.50	72.70		Close	Previous	High/Low	
May Jul	73.25 73.40	73.73 73.82	73.80	78.95	Oct	79.92	79.92	20.22	79.65
Oct Oct	69.15	73.52 69.20	74.00 69.35	73.40 69.25	Dec	76.85	77.00	77.46	76.62
Dec	<b>67.77</b>	87.88	47.80	67.75	Feb Apr	75.85 76.02	75.05	75.62	74.97
<b>ORAN</b>	DE JUNCE	15,000 lbs;	CERTS/TOS		Jun	73.45	75.72 73.15	76.35 78.75	75.62 73.10
	Close	Previous	High/Low		Aug	71.80	71.60	72.15	71.65
Nov	138.80	141.85	142.00	138.20	Oct	71.95	71.75	72,25	71.00
Jan	138.55	137.40	138.50	136.00	TIVE	10.08 30.0	)O lib; cents/i	be	
Mer Mey	137.06 137.00	137.20	139.40	136.70		Close	Previous'	High/Low	
714 	137.00	137.40 137.40	139.50 197.50	137,00 137,00	Oct	,66.60	56.20	67.07	55.90
				101.49	Dec	55.67	54.67	55.95	54.35
					Feb Apr	52.77	<b>52,22</b>	59.05	51,92
Debic	23				ويبل	49.15 52.35	481.57 51.67	49.25 62.80	49.35 51.50
THE LEWIS	ERS (Bac	e: Septemb	er 18 1001	= 100	غيات مديد	52.60	<del>52.20</del>	52.66	51.96
	Oct 3	Oct 2			Aug Oot	50.75 46.10	50.40	50.86	50.00
			math ego				46.10	48.10	48.06
	1767.2	1785.9	1808.7	1868.3			0,000 lbs; c	ente/fib	
DOW,	CONTRA (B	ese: Dec. 5	1 1974 = 1	100)		Close	Previous	High/Low	
	Oct 2	Oct 1	unth sgo	yr ago	Feb Mar	64.20	62.20	64.20	63,70
Spot	126.64	127.16	120.97	130.76	May	84,07 84,87	<del>12.07</del>		63.57
Future	s 130.50	129.50	133.18	131.48	آبيال	64.45 .	82.57 62.52		63.40 63.20
					Aug	<b>02.50</b>	60.50	62.50	62.00

#### **LONDON STOCK EXCHANGE**

## Trading squeeze takes shares higher

A FURTHER but somewhat unconvincing advance by share prices in London yesterday owed more to a lack of liquidity in the UK stock mar-ket than to much genuine investment optimism. Cautious buying from institutions con-tributed to the day's gain of 28 points in the FT-SE index but trading volume was unexcit-

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There was a flurry of interest in late dealings when Wall Street reversed an early fall and new tales of impending British emiry to the European Exchange Rate Mechanism did the rounds of the City of Lon-don. However, the final read-ing of 2,087.0 on the FT-SE

Accoun	t Deeling	Detes
7first Deellogs: Sep 24	Oct 8	Qua 22
Option Declarati Oct 4	Oct 18 .	Hov 1
Lint Declings: Oct 5	Oct 19	Nov 2
Account Day: Oct 15	Oct 29	Nev 12
"New-thee death	on may take	place from

Index, a net gain of 28.5, bewildered some equity traders who had wrestled all day with a market very short of stock after Tuesday's unexpected advance.

With neither Tokyo nor New York offering any real lead overnight, London opened lower to test the Footsie 2,050 mark. Strategists at a number of leading UK securities houses drew attention to the Dow's failure overnight to extend its response to this week's news of plans to curb the Federal deficit. Some equity chart specialists, meanwhile, are warning of a possible October peak for equities both in New York and

The first few hours of London trading were agonisingly slow, but a carefully concealed trading programme by a leading US house, together with a better futures market, began to take equities ahead. After gaining 25 points, however, the market slipped back as Wall Street made a slow start to the Footsie December futures con-tract had climbed to a pre-mium against estimated fair value which allows for dividend flows and financing costs.

The Footsie itself closed at the

best of the day but showed itself vulnerable to Wall Street's trend. Seaq trading volume slipped from Tuesday's 430.2m shares to a mere 368.5m yesterday. Among market leaders, BAT Industries and ICI gained ground, but in terms of trading volume could not reach 1m shares. Most market making

houses are still short of stock

new session, slipping briefly into negative territory.

By the end of the day the ever a buyer appeared. Bargain-hunting in construction shares saw RMC move up sharply on turnover of under 900,000 shares, while in retail stocks, GUS, always a difficult share to trade, advanced on

volume of a mere 328,000. Against this lacklustre backcloth, few market specialists were prepared to identify spe-cific trends. With crude oil prices less buoyant, the major oil stocks moved more cau-tiously, gaining ground only as Wall Street recovered confidence to show a gain of 9 Dow points as London closed for the day.

#### FINANCIAL TIMES STOCK INDICES 83 60 105.4 50.53 (30/4) (28/11/47) (3/1/75) 1510.4 2008.6 49.4 (24.9) (5/9/59) (26/8/43) 167.9 734.7 43.5 (15.6) (15.2:83) (26.12.71) FT-SE 100 Share 2030.8 1990.2 2463.7 986.9 (28/9) (3/1/90) (23/1/34) (3'1) Ord. Div. Yield Earning Yld %(full) P/E Ratio(Net)(\$) 5.15 12.89 9.40 Basis 100 Govt Secs 15/10/76, Fland MT 12/06 Ordinary 1/7/31, Cold mines 12/9/32 Basis 1000 97/-5£ 100 34/12/63 ≃ MH 9 70 5 87 12.31 9.85 10.38 11.63 18,129 765 52 SEAQ Barges 4.45pm Equity Turnover(2m)† Equity Bargains† Shares Traded (mi)† 20,456 723,72 19,355 334,8 25,109 £55.73 17.845 18,393 GILT EDGED ACTIVITY 581 10 Oct 2 Oct 1 17,167 16,427 284,1 331.0 17,298 376.7 25,479 410.8 Gill Edged Bargains 93.7 Day's Low 1583.0 Ordinary Share Index. Hourly chi Day's High 1619.1 5 - Day average Open 9 am 10 am 11 am 1589.2 1591.0 1563.3 1599.5 12 pm 1 pm 2 pm 3 pm 4 pm 1607.1 1610.6 1608 1 1614.6 "SE Activity 1974. fExcluding intra-market business & Overseas turnover Day's High 2087 2 Day's Low 2050 2 FT-SE, Hourly changes Open 9 am 10 am 11 am 12 pm 1 pm 2050.4 2050.5 2054.2 2054.2 2062.5 2068.8 2074.4 2074.6 2074.6 2060.8 London report and lates: Share index: Tol. 0598 123001 Trading volume in Major Stocks Kytomo Closung Cay s

## **Property** doubts hit Burton

market continued to depress Burton, the fashion retailer. The shares fell 10 per cent on concern that it will not be able to sell its property interests without recording a substan-tial loss. Burton was off 9 at 61p at one stage and eventually settled at 62%p, down from its 1990 high in January of 226p. Analysts said Burton had received offers aince it put its property interests up for sale, but at prices which would lead to significant losses on its property portfolio. Also weak-ening its shares were worries about its current retail trading performance and talk of a

stock overhang. A historical yield of 18 per cent and hopes that the recent sale of its financial services interests will allow it to maintain its final dividend failed to attract investors. "Burton doesn't seem to have a friend in the world at the moment," one analyst said.

Maxwell concerns The city was not satisfied by

an announcement from Mr Robert Maxwell, the publisher, that he had reached agreement on three disposals as part of a move to cut debts of £1.50n, and Maxwell Communication lost 8 to 142p on a heavy turn-

over of 5.4m.

Analysts at BZW said the intended disposals, which totalled \$410m, were "a series of juggling acts between MCC and Robert Maxwell's private vehicle to raise sufficient funds to meet the group's short term obligations of \$245m."

Cautious note

Harrisons & Crosfield struck a note of caution about trading prospects and the shares moved against the trend of the wider market. The diversified plantations to building sup-plies group also delivered slightly disappointing interim profits which caused analysis to lower full-year expectations. Ms Julia Pennington of BZW

moved down quite sharply to £128m from £147m. She said Harrisons' business environment would remain difficult, being largely tied to the UK economy. The yield should provide support; she added, but at 9.1 per cent it is no longer in a league of its own. BZW remains a seller of the stock. Several other analysts also

opted for profits of around £128m, providing there are no bad experiences for Crossley Building Merchants, acquired last May. Trading volume swelled to almost 2m shares yesterday as the price dipped to 130p before closing 2 down on the session at 134p. On face value the brewery sector appeared to take the

bonours yesterday. It presented a picture of strength with several stocks recording double-figure gains. But trad-ers said the low volumes told a different story. One said the sector was very squeezy and the sharp price advances stemmed more from profes-sional covering of short book positions than actual client

Most leading issues were affected. Guinness rose 29 to 718p, aided by institutional buying aroused by another pos-itive note from Mr John Wakely of Shearson Lehman Brothers. Grand Metropolitan advanced 12 to 564p and Allied-Lyons rose 15to 452p. Only Greenall Whitley of the regional brewers was influenced. BZW initiated the upswing in the shares – finally 13 higher at 316p - saying that the stock was offering

Analysts said confidence in Glaxo was growing because the company was recession-proof and moving towards the launch of anti-migraine, antiasthma and anti-emetic drugs. The shares gained 10 to close at 798p on turnover of 2.6m. A recommendation for caption from James Capel and growing focus on a potential

Aids treatment drug developed by IAF BioChem, a Canadian company, for Glaxo were seen as the background to a knock for Wellcome which closed 8 down at 458p.

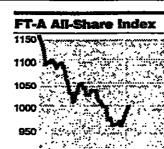
Mr Ian White of Kleinwort
Benson said the IAF drug was

approaching the stage of clini-cal trials and as a direct competitor to Retrovir, one of Wellcome's mainstays, it posed a serious threat to Wellcome's

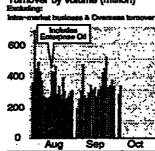
The two biggest UK high street banks rose strongly in heavy turnover amid a worsen-ing stock shortage and further stories of UK entry into the EC's exchange rate mechanism. Barclays, on 46m shares, rose 14 to 346p and NatWest, where 42m shares changed

hands, advanced 18 to 262p. Benk of Scotland's interim results were within the range of analysts' estimates; pre-tax profits came out at 2105.5m, against £96.9m. There was gen-eral satisfaction with the dividend increase, up from 1.45p to 2p. At the close Bank of Scot-

NEW HORSE (I).
BRITISH PLINOS (4) BREWERS (I).
OVERSEAS TRADERS (I).
NEW LOWS (137).
CAHADIANS (6) BANKS (1) BREWERS (F



**Equity Shares Traded** Turnover by volume (million)



land shares, newly elected to the FT-SE 100-share index, were 3 higher at 110p after good turnover of 4.5m shares. One sector specialist said there was a danger that a lot the good news from Bank of Scotland was already in the price. "There is a risk that some optimists will be disappointed at the full-year stage; the figures owe much to vol-ume growth and there could well be a pay-back, in terms of bad debts, further down the line," he said. Analysts' estimates of full-year profits at the Scottish bank were generally left in place and ranged from around £205m to £225m.

The latest purchase of Stan-dard Chartered shares by Mr Khoo Teck Puat helped Stan-dard shares maintain their recent recovery trend and close 10 higher at 295p, One of the "white Knights" that prevented Lloyds fibri taking over Standard in 1986 by his acquisition of a substantial stake, Mr Khoo bought on Monday a further 900,000 shares, increasing his holding to 6.04 per cent. Standard has suffered in the past couple of weeks from worries with Polly Peck and fears about increasing bad debts.

The best performance in merchant banks came from SG Warburg which advanced 18 to 321p as an acute stock shortage developed; UBS Phillips & Drew shifted its stance on Warburg from sell to hold.
There were useful gains

throughout life stocks, notably in Legal & General which added 10 at 384p, and also in composites, which featured prominently in a mid-session trading programme. Guardian Royal, on turnover of 1.5m, rose 7 to 188p. Recent Morgan Stanley recommendations continued to boost insurance brokers Sedgwick, up 8 more at 193p, and Willis Faber, 3%

ahead at 217%p.
Building stocks recovered from a weaker start, but the lack of any fresh features and the depressed nature of the sector kept most institutional investors on the sidelines.

Nevertheless, RMC continued to benefit from hopes of increased sales of building materials in eastern Germany, and added 22 to 567p. Ibstock Johnsen lost 4 in early trading, before coming back to finish unchanged from Tuesday at 90p. Tuesday's announcement of a fall in interim profits and poor press comment accounted for the initial downturn, but the price recovered, helped by a hold recommendation from County NatWest.

Higgs and Hill recorded an interim pre-tax profit of 23.57m, down from £10.09m pre-viously, although the dividend was increased to 6p per share from 4.4p. While gearing remained below 30 per cent, the company stressed that high interest rates would delay prospects of an early recovery. The price finished 11 lower at 268p. Tarmac also moved against the trend, losing 4 to 216p as 5.6m shares changed hands, although there was no obvious reason for the increased turnover. Dealers noted that the company launched \$300m of auction market preference shares (Amps) in the US, designed in part to fund the repurchase of \$147m of cumulative preference shares from Lone Star Industries. The issue gives Tarmac a windfall profit dollar-denominated debt which will feature as an extraordinary profit in the sec-ond half of the company's

financial year. A call on shareholders for fresh funds of £49.5m, needed to finance a US acquisition, unsettled shares of MTM. They dropped 27 to a low for the year of 144p. The company has agreed to acquire Hardwicke Chemical of Elgin, South Caro-lina, for around £59m, the bal-ance being met from MTM's

Institutional investors showed a keen appetite for Bowater and the shares rose 10 to 435p. ECC was another stock favoured and rebounded 15 further to 334p in spite of sell advice from Nomura Research. The UK-based Japanese house said there were grounds for some short-term caution. Confirmation that Maxwell Communication intended to sell its 22 per cent stake in De

La Rue, the UK specialist printer, made little impression on the shares. Awaiting further news of the proposed auction of the 30m shares by Smith New Court, the stock remained at 254p.
The tidings from Cowan de

Groot, the troubled toy importer, were certainly not funny. The final dividend was passed and the company achieved only a small profit. After taxation the result was a loss per share of 3.5p, compared with last year's profit of 5.7p. Cowan's shares weakened further to close at 7p, down

Gestetner benefited noticeably from Schroder Securities' prediction that the stock was poised for a sustained recovery and closed 8 up at 193p. Marginally higher annual profits and a positive view of prospects raised Photo-Me 15 to

273p.
Telfos Holdings continued to slide following Tuesday's cautious statement, closing 4 down

at 121p.
Tiphook, the container leasing company, moved up 20 to 342p on increased turnover in a thin market following a presen-tation to County NatwWest, recently appointed as broker to the company. Mr Dan White of County said Tiphook had underperformed heavily in past few weeks but the company was confident that it had

Eurotunnel gained 25 to 425p, its biggest jump for some time, as confidence over the refinancing package and the progress of the Channel tunnel ew. There was good business in Paris, where much of the stock is traded.

Sears eased a penny to 78p in

busy trading. UBS Phillips & developed in Slough Estates, Drew was said to have crossed and 3m shares changed hands. The price finished just one penny lower at 224p. Cussins

3.5m shares, which contributed to the day's 12m turnover. Sainsbury gained 2 to 305n as S. G. Warburg recommended the stock. But Tesco added 4 to 229p after Hoare Govett said it had recently lagged too far behind Sainsbury. Northern Foods gained 10 to 346p after an analysts' visit.

while Kwik Save rose 16 to 450p on talk that Dairy Farm had added to its 25 per cent with news that Saatchi & Saat-

director-general of Ofwat, the water industry watchdog. There had been suggestions in the market that Ofwat was The city was unimpressed chi was acquiring Dyson Communications, an international public relations company preparing to send out clawback based in Switzerland, and the shares improved only % to 37p. A good two-way business notices for the year 1991-2, which would reduce water company profits, but this was

categorically denied at the seminar by Mr Byatt, according to Mr Steve Doe, Smith New Court's water analyst The worst performers included Northumbrian, off 4 at 235p, and North West, 3 off at 229p.

Property Group recorded a half-year loss of £1.6m com-pared with a £2.1m profit previously, but an unchanged divi-dend of 3.75p helped the price finish 3 higher at 113p. Oil shares struggled to keep up with the rest of the market, being held back by the latest Water stocks were unsettled and underperformed the wider market ahead of an investment decline in crude oil prices. A positive review of the sector by the Laing & Cruikshank oil team, emphasising buy stances on BP, Shell, Royal Dutch, seminar at Smith New Court. held during the afternoon and addressed by Mr Ian Byatt, Enterprise, Lasmo and Ultramar, helped those stocks register modest gains. Burmah was another 12 higher at 499p.

> Other Market statistics. including the FT-Actuaries

#### APPOINTMENTS

**NEW HIGHS AND LOWS FOR 1990** 

## **Tootal** Group moves

TOOTAL GROUP has appointed to the main board Mr Aaron Lo, chief executive of Tootal China, and of International Yarn Sourcing. and a director of Tootal Ltd. Pive of the chief executives of strategic business units have been appointed to the management board of Tootal Ltd: Mr Greg Cheskin, Tootal Consumer Thread, US; Mr Roel Lubbinge, Tootal Specialised Materials, Netherlands; Mr Tom Smith, North American Industrial Thread Business, US; Mr David Williams, Tootal Branded Clothing; and Mr David Witt, Tootal Contract

Mr John Hambly, chief executive of Thames Television's programme producing subsidiaries, Cosgrove Hali Productions and Euston Films, has become an associate director of the main board of THAMES TELEVISION.

■ THE MARLEY ROOF TILE CO has appointed Mr Gary Perkins as director of

■ ML HOLDINGS bas appointed Mr Derek Crook as managing director of new

subsidiary ML Distribution; Mr Paul Bowler as managing director of Townsend Coates and Mr Gordon Stolliday as director and general manager of Radiatron Components.

■ AEROSPACE ENGINEERING has appointed Mr Donald Parvin as a non-executive director. He was group chief executive at Matthew Hall.

■ HEYWOOD WILLIAMS has appointed Mr C. Russell Smith as a non-executive director. He is non-executive chairman of Allied Textile Companies.

MODERN ALARMS has appointed Mr Stuart Roberts as sales director. He was general manager, carbonless paper division, Wiggins Teape

■ KAY & CO (ENGINEERS), part of the Portals Technology Group, has appointed Mr Clifford Turner as sales director. He was national sales

■ CAPITAL PARKING has appointed Mr Nicholas Johners as managing director. He retains his post as group finance director. Mr Martin Cartwright, who was operations director, has become director of the new design and consultancy

LANCASHIRE AND LONDON INVESTMENT TRUST has appointed Mr Somerset Gibbs as a director. From 1986 to 1989 he was chief executive of Smith New Court Agency, and is a non-executive director of a number of

**■ COSTAIN ENGINEERING** has appointed Mr Tim Noble as managing director and Mr Tim Howard as commercial director. Mr Noble was operations director, Balfour Beatty Projects and Engineering; and Mr Howard was commercial controller for

Mr Keith Reading has been appointed chief executive of ASEE EXHIBITIONS, parent company of Electrex. He was chief executive of BFM

■ DICTAPHONE CO, a Pitney Bowes company, has appointed Mr John Gibson as general manager communications recording systems - Europe, Middle East and Africa. He was with Smiths Industries.

■ Sir Derek Oulton has been appointed president of THE ELECTRICITY ARBITRATION ASSOCIATION. Until last year he was permanent secretary of the Lord Chancellor's department.

■ JOHN GOVETT & CO has appointed as directors: Ms Rosemary Morgan, Japanese fund management, Mr Steve Wood, The Hungarian Investment Co; Mr Hugh Dick, European fund management: and Mr Nigel Savage, UK fund management, who joins from N.M. Rothschild Asset Management, Mr R.D.C. Brooke has been appointed a director of GOVETT ATLANTIC INVESTMENT TRUST. He is a director of J.O. Hambro & Co.



PORTSMOUTH BUILDING SOCIETY has named Mr Douglas Strachan (pictured) as chairman, taking over from Mr Jack Longland, who will remain on the board. He is a former main board director of Allied Lyons.

STEEL BURRILL JONES GROUP has appointed its chief executive Mr George Boden as a vice chairman.

■ MEMOREX TELEX (UK). Wokingham, has appointed Mr Ernest Cochrane as business director of network Systems, and Mr Gordon Stevenson as business director

#### **LONDON SHARE SERVICE**

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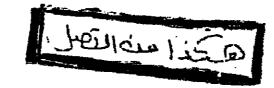
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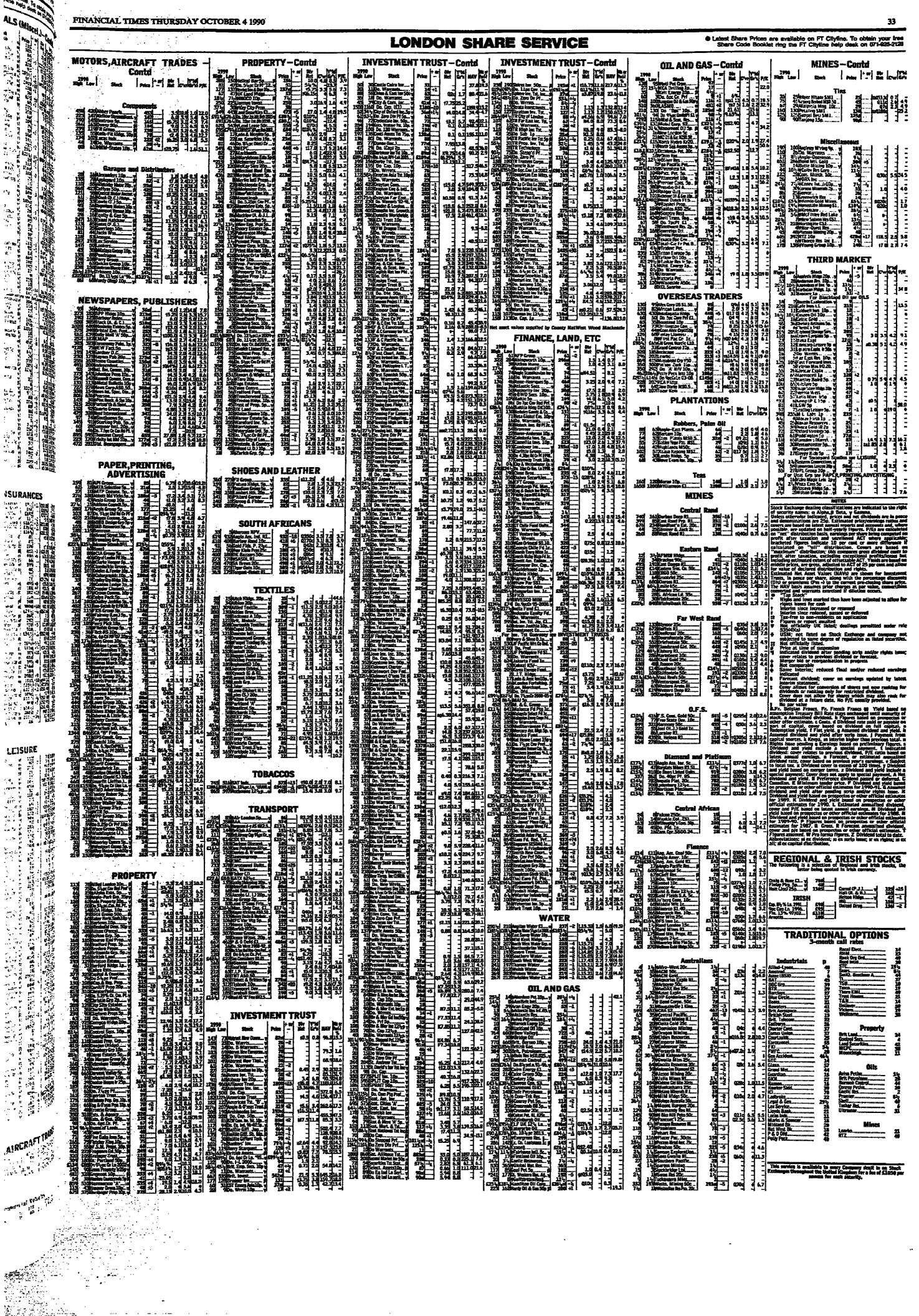
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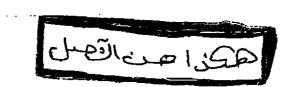
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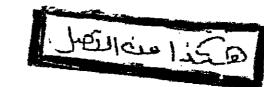
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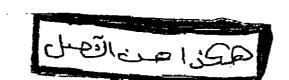
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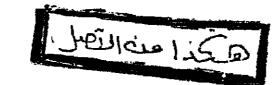
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#### CURRENCIES, MONEY AND CAPITAL MARKETS

#### **FOREIGN EXCHANGES**

## Greenspan comment hits dollar

THE DOLLAR weakened on comments by Mr Alan Green-span, chairman of the Federal Reserve Board. He told a con-gressional committee that "the Budget summit has crafted what appears to be a credible, enforceable reduction in the budget deficit stretching over a number of years." Last month Mr Greenspan said that inter-est rates could fall if a credible agreement to cut the deficit

was struck.
The policy-making Federal
Open Market Committee met
this week and signs of easier monetary policy are now expected, but there was no indication of any change yes-terday. The Fed added funds to the New York banking system via overnight system repur-

chase agreements.
Credit conditions were tight, however, with Fed funds trading at 8% per cent. This was well above the assumed target level of 8 per cent and the Fed's move appeared to be the result of technical factors rather than any policy change.
The possibility of lower rates

The possibility of lower rates pushed the dollar down to lows of DM1.5400 and Y135.80, with dealers seeing the next technical support levels at DM1.5380 and Y135.50. It railied slightly in thin trading towards the London close, finishing at DM1.5440 compared with

E	£ IN NEW YORK					
04.3	Oct.3 Class Provious Class					
E.Spot				25-1,8935 11-1,09pm .08-3,05pm 0.1-10.0pm		
	RLIN					
		Oct	3	Previous		
8.30 am 9.00 am 10.00 am 11.00 am 1.00 pm 2.00 pm 3.00 pm 4.00 pm		83 83 83 83 83 83 83 83 83 83 83 83 83 8		85 85 85 85 85 85 85 85 85 85 85 85 85 8		

CURRENCY MOVEMENTS					
0:13	Bank of England Index	Morgan <sup>as</sup> Gasranty Changes %			
Steriling U.S Dollar Clausiting Dollar Clausiting Dollar Clausiting Dollar Austrian Schillings Belgium Frinc Dunish Krone Destache Mark Swins Franc Geliklor Franc Lina Yen Yen Yen Yen	93.7 62.2 199.8 111.6 119.1 114.7 114.7 195.5 190.2	-188 -164 -164 +117 -22 +49 +255 +161 -196 +621			
Morgan Guaranty changes: average 1980- 1982-100, Bank of England Index (Base Average 1985-100), "Bates are for Oct.2.					

**CURRENCY RATES** 

0ct. 3	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling U.S Doltar U.S Doltar Canadian 5 Austrian Sch Belgian Franc Donish Krone Donish Krone Donish Krone Little Franc Little Franc Little Little Scholler Spanish Peeta Spanish Peeta Serdish Krone Sonish Peeta Serdish Krone Sorish Franc Greet Drach Irish Pant	- 7 12.82 612 1015 1015 1015 1015 1015 1015 1015 10	0.742551 1.37763 1.61133 1.51250 44.8779 48.72568 2.17737 2.45633 N/A 1630.48 191.266 8.45007 136.311 8.02030 181.482 N/A	0.701031 1.32743 1.52743 14.4793 42.3839 42.3839 7.86552 2.03614 2.32070 6.89917 1542.11 181.456 7.990% 129.130 7.59141 1.77168 304.738 0.766974
† European Com • All SDR rates			

OTHER CURRENCIES							
Oct 3	£	S					
Argentina	10641.4 - 10779.7	5620.00 - 5690.00					
Brazil	2 <i>2</i> 795 - 2 <i>2</i> 815 158.715 - 168.125	B3.80 - 84.56					
Greece	6.9840 - 6.9975 289 30 - 293.95	153.15 - 155.60					
Hong Kong	34.6775 - 14.6925	7.7595 • 7.7615 66.20°					
	1325.30 - 1349.75	710.10 - 715.70					
Krwait	60.30 - 60.40	N/A 31.70 - 31.80					
Malesia	5 1100 - 5 1225	2 <i>6975 - 26</i> 995 2893 00 - 2903.00					
H Zendand	3 0560 - 3 0610 7 0855 - 7 1020	1.6140 - 1.6160 1.7495 - 3.7505					
Saudi Ar Stogapore	3.3280 - 3.3360	1.7595 - 1.7615					
SALCED	4 8465 - 4 8790   7 1580 - 7 2960	2.5675 - 2.5690 3.7735 - 3.8460					
Tahusa	51.65 - 51.80	27.25 - 27.30 3.6700 - 3.6735					
Selling rate							

DM1.5550 on Tuesday and at Y136.10 against Y136.90. The dollar also fell to SFr1.2855 from SFr1.2920 and to FFr5.1725 from FFr5.2100. On Bank of England figures the dollar's index declined to 62.2 from 62.5.

Sterling improved against the weaker dollar, but other-wise showed only small mixed changes. Lack of economic news is keeping the pound in fairly narrow trading ranges at present, with no important data due until September UK producer prices next Monday. Sterling rose 1.15 cents to \$1.9000. It also advanced to SF12.4425 from SF12.4400, but fell to DM2.9325 from DM2.9375, to FFr9.8275 from FFr9.8400 and was unchanged at Y258.50. The pound's index gained 0.2 to

The yen showed little overall change against the background of steadier trading in Japanese interest rates gave the cur rency a firm undertone how ever. The closure of financia markets in Frankfurt for a ho kept the D-Mark quiet, but i gained a little ground within the European Monetary Sys

Spanish remained at the top of the EM exchange rate mechanism after the Bank of Spain kept its money market intervention rate unchanged. The Bank of France also left its ratuuchanged, helping to supporthe French franc. The weakes member of the system was the Danish krone, despite a forecast from the Economy Ministry in Copenhagen that Denmark's balance of payments deficit will fall this year and in 1991 to around DKr5bn from DK-10 23 bn in 1932 Trading DKr10\_23bn in 1989, Tradia was quiet with all EMS curre cies remaining well with

uities. Relatively high Tokyo their agreed limits.								
EMS EUROPEAN CURRENCY UNIT RATES								
Ecu Cerrency % change % spread contral amounts from y weakest. Disergence rates Oct 3 rate central marroer hand indicator								
nerish Pereta di Poet rigitar Franc entri Franc entri Franc entri Dellari Ach Guilder Ulan Ulra enish Krone	132.889 0.763159 42.1679 6.85684 2.04446 2.30358 1529.70 7.79845	129,130 0,756974 42,3839 6,89917 2,05814 2,32070 1542,11 7,86552	-2.83 0.50 0.51 0.62 0.67 0.74 0.81	3.80 0.36 0.35 0.34 0.19 0.12 0.05	#구무취취취취			
a central rates set by t	central rates set by the European Commission. Currencies are in depositing relative strength. Percentage changes							

POUND SPOT - FORWARD AGAINST THE POUND								
0ct 3	Day's spread	Clase	One month	% pa	Three months	% pi		
S made	1920 - 1922 170 - 3314 013 - 0460 11194 - 1124 1195 - 1254 1195 - 1254 1153 - 1845 1137 - 11424 1137 - 11424 11473 - 1448	1895 - 1995 1994 - 1994 1994 - 1994 1995 - 1995 1995 - 1995 1995 - 1995 1997 - 1994 1997 - 1994 1997 - 1994 1997 - 1994 1997 - 1994 1997 - 1998 2007 -	108-106-pm 053-4-4-pm 14-14-pm 34-7-pm 040-0-7-pm 14-14-pm 14-14-pm 14-14-pm 14-14-pm 15-14-pm 14-14-pm 1	176 176 176 176 176 177 177 177 177 177	114-311-00 14-1-15-00 14-1-1	6.58 6.12 6.13 6.05 6.05 6.05 6.05 6.05 6.05 6.05 6.05		
emercial rates taken towards the end of Lordon tracking. Six-month forward dollar 5.80-5.75cpm . 12 Month .12-10.02cpm								
X	AR SPOT	FORWAR	D AGAIN	ST 1	HE DOL	AR		

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR								
Qct 3	Day's spread	Clase	Ope mostis	% PA	Tirree months	* <u>1</u>		
UIC	31.78 - 32.00 531 - 5.99 1.5407 - 1.52.25 137.00 - 137.70 16.60 - 97.40 1155 - 1162; 5.94; - 6.02; 5.94; - 6.02; 1.564; - 5.72; 1.568; - 1.560 1.2800 - 1.2925 1.2800 - 1.2925 1.2800 - 1.2925	1895 - 1905 1.775 - 1.728 1.1510 - 1.728 1.160 - 1.7415 3.179 - 31.80 5.91 - 5.91 1.505 - 137.15 5.77 - 137.15 5.77 - 137.15 5.77 - 5.77 5.77 - 5.77 5.77 - 10.88 1.375 - 13.15 10.875 - 13.15 10.875 - 13.85 1.375 - 13.85 1.375 - 13.85	0.01-0.04cds 0.50-3.50cds 0.50-1.20creds 0.02-0.04cds 49.55cds 1.40-2.00tests 1.57-1.70ceds 0.80-0.85cds 2.11-2.36cds 0.05cds 0.02cpm 0.30-0.65csdds 0.07-0.05cpm 0.21-0.20cpm	678 2364 4076 4076 4076 4176 4176 4176 4176 4176 4176 4176 41	3.14-3.11pm 1.17-1.07pm 1.25-1.30de 0.16-0.20de 3.00-10.00de 3.10-3.65de 2.25-25de 6.00-7.25de 4.30-4.90de 2.74-2.84de 6.00-7.25de 6.00-7.25de 6.00-7.25de 6.00-7.25de 6.00-7.25de 6.00-7.25de 6.00-7.25de 6.00-7.25de 6.00-7.25de 6.00-7.25de 6.00-7.25de 6.00-7.25de 6.00-7.25de 6.00-7.25de 6.00-7.25de	第第句は28年の4年28日 4年1日 10年1日 10年1日 10日 10日 10日 10日 10日 10日 10日 10日 10日 1		
Contraction rates taken towards the end of London trading, † UK, Ireland and ECU are quoted in 85 correscy.  Forward president and discounts apply to the US dollar and not to the individual correscy.								
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EURO-CURRENCY INTEREST RATES								
Oct 3	Short term	7 Days sotice	One Month	Three Mostis	Six Martis	Ode Year		
Sterling US Dollar Lon Dollar Lon Dollar Lon Dollar Lon Dollar D. Gall Ider Sw. Franc Destschmark Fr. Franz Belglan Franc Hot Lon	15 - 147 84 - 85 13 - 127 84 - 94 13 - 11 91 - 92 15 - 94 15 - 94 15 - 94 15 - 94 16 - 94 17 - 94 18 - 94 18 - 94 18 - 94 18 - 94 19 -	15 1 1 2 7 1 8 9 9 8 7 1 8 9 1 8 9	147 - 147 147 - 8 124 - 127 15 - 74 15 - 74 15 - 75 16 - 75 16 - 75 17 - 16 - 75 17 - 16 - 75 18 - 75	141 - 144 81 - 8 124 - 121 8 - 82 8 - 74 8 - 82 101 - 101 91 - 81 102 - 103 81 - 81 103 - 104 83 - 84	145 145 185 185 185 185 185 185 185 18	142 - 145 81 - 84 118 - 138 82 - 82 92 - 83 118 - 112 92 - 93 83 - 83 118 - 112 82 - 83 83 - 83 84 - 83 85 - 85 85 -		
Long term Eurodollas	s two years 8,	-8% per cent;	three years 811-	-813 per cest; fo	or years 811-8	per cest; five		

	EXCHANGE CROSS RATES									
0¢L3	2	5	DAT	Yer	f fz.	S Fr.	H FL	Line	C\$	8 Fr
č	1 0.526	1.900 1	2933 1544	258.5 136.1	9.828 5.173	2.443 1.295	3.308 1.741	2199 1157	2.138 1.152	60.3 31.7
DM PM	0.341 3.866	0.648 7.350	11.35	88.14 1000.	3.351 38.02	0.833 9.651	1.128 12.80	749.7 8507	0.746 8.464	20.5 233.
f fr. S fr.	1.018	1.933 0.778	2.984 1.201	263.0 105.8	10. 4.023	2486	3.366 1.354	2237 900.1	2.225 0.976	61.4 24.7
lji Fl. Ura	0.302 0.455	0.574 0.864	0.887 1.334	78.14 117.6	2.971 4.469	0.739 1.111	1 1.504	664.B 1000.	0.661 0.995	18.2 27.4
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• Membes of British Merchant Banking & Securities Houses Association. • Deposit now 5.9% Samurica 8.5%. Top Tier-£50,000-iostant across 13.7% § Mortgage loser rate. § Demain deposit 9%. Mortgage 15.2% • 15.95%

#### **MONEY MARKETS**

#### Longer rates ease

LONGER TERM rates were slightly easier on a quiet London money market yesterday. One-year sterling interbank eased to 14%-14% per cent from 14%-14%, but the important three-month rate was little changed at 14%-14% against 14%-14%.

Short sterling futures were firmer on Liffe. December delivery opened lower at 85.64, but hopes of lower US interest rates pushed the contract up to a high of 85.76, before it closed at 85.70 against 85.66 previously.

UK clearing bank base lending rate 15 per coat from October 5, 1989

On the cash market a day-to-day credit shortage of £600m was initially forecast by the Bank of England. This was revised to £750m at noon and to £800m in the afternoon.

Total help of £766m was provided. Before lunch the authorities bought £361m bank bills outright in band 2 at 14% per cent. In the afternoon another £405m bank bills were purchased in band 2 at 14% per cent. Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £380m, with Exchequer transactions absorbing £10m, a rise in the note circulation £100m, and

bank balances below target bank, £100m. In Paris the Bank of France left its money market intervention rate at 9½ per cent and the five to 10-day emergency funding rate at 10% per cent when supplying funds to the banking system via securities repurchase tenders. The rates were last changed on April 26. At yesterday's tenders the authorities supplied a total of FFr75.7bn to replace FFr72.6bn leaving the market today as an earlier agreement

expires. In Madrid the Bank of Spain the maintaine Bank of Spain kept its money market rate at 14.65 per cent when supplying 12-day certificates at yesterday's tender.

In Tokyo the unsecured

overnight call rate firmed to 71 from 7% per cent after the Bank of Japan provided only Y620bn in loans to banks, against a money market shortage of Y1,760bn. Conditions are expected to improve however now that the financial half-year book squaring is complete, but the Bank of Japan has stated it will not oppose the expected seasonal fall in the call rate. In Amsterdam the Dutch Central Bank allocated Fl 5.69bn to the money market, by way of seven-day special

advances, at an unchanged rate of 8.0 per cent. This replaced a five-day facility of Fl 1.0bn.

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## **FUTURES TRADERS:** ... No ifs, ... ands, ... or buts

"How do you do it?" is a question we've been asked many times over the years—by intures traders in the U.S. and, now, since we've opened our London Trading Centre, by traders throughout Europe. We're not surprised because many of the investors who call us are paying \$60 (or more) per trade with their full-commission futures broker. They can't believe they can get our complete range of quality brokerage services for only £22 a round turn.

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Page 071 947 0471 THE WORLD'S LARGEST FUTURES OSCILLAT FIRM - MEMBER AFRED - CHECKOO - LENGOON - MEM YOR

LIND-WALDOCK & COMPANY

## MONEY MARKET FUNDS

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88-10

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Clear 89.78 89.72 89.69

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CAC-40 FUTURES QUATEF) Sheck index

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BASE LENDING RATES

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OPTICAL ON LONG-TERM FRENCH BOND BALTUF

x 47,157 Total Open Interest 65,326

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**JOTTER PAD** 

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1 Dispute a point, causing some difficulty (6)
4 Applaud artifice and hombast (8)
9 Object when put into temporary accommodation (6)

rary accommodation (6) 19 Make friends with cads more (8) 12 Denied assistance, gets

12 Denied assistance, gets ahead (8)

13 "Only the Ash, the bonnie Ash burns..... while it is green" (De La Mare) (6)

15 The story of a Greek character in the City (4)

16 Order the ratings to get into line (10)

19 Sound point of view — to a cartain degree (5,5)

20 A little choice dainty with a sugar topping (4)

23 Share parking at the lake-side (6)

side (6)
25 A few words involving 6 maybe (8)

27 A break in the journey proves to need organising

(8)
28 There's endless debate about sports e quipment (6)
29 Late in the day the head makes a regular appearance

(3)
30 Merchant laying his cards on the table? (6)
DOWN
1 Peculiarly English hairstyle for women (7)
2 The work of a shop-assistant is telline (5) is telling (9)
3 Correct in backing in to get

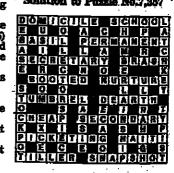
5 The diver made to look a 6 Griped or agitated in prison

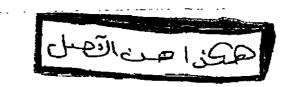
7 Å horseman delivered letters for Her Majesty (5) 8 RAF officer demanding

8 RAF officer demanding entrance (?)
11 Far from reserved (?)
14 Brings together the right colleagues (?)
17 Chance it perhaps when over fifty. It's quite practical (9)
18 Label put among cut fern (8)
19 "Tripel" — so stupid an answer (?)
21 Storage for the wardrobe-mistress (?)
22 A good man prevailing in some controversy (6)

Some controversy (6)
24 Gas ring area (5)
26 A bit of honeysuckle is included in such garlands (4)

Solution to Puzzle No.7,357





JAY OCTOBER

JOTTES!

WORD

in VIXEN

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MONTREAL Closing prices October 3

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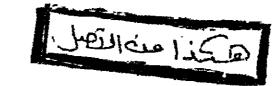
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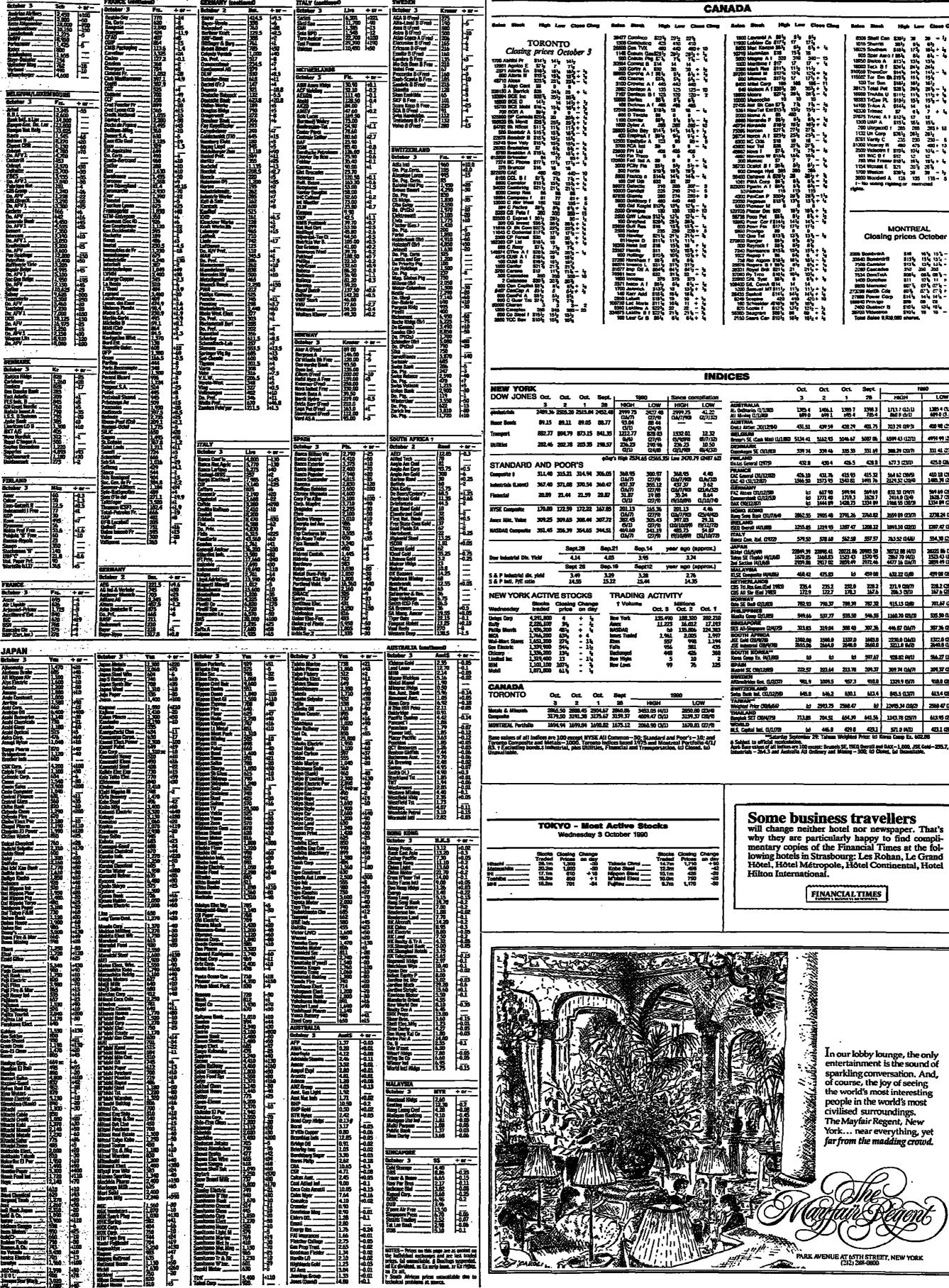
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CANADA



#### **WORLD STOCK MARKETS**



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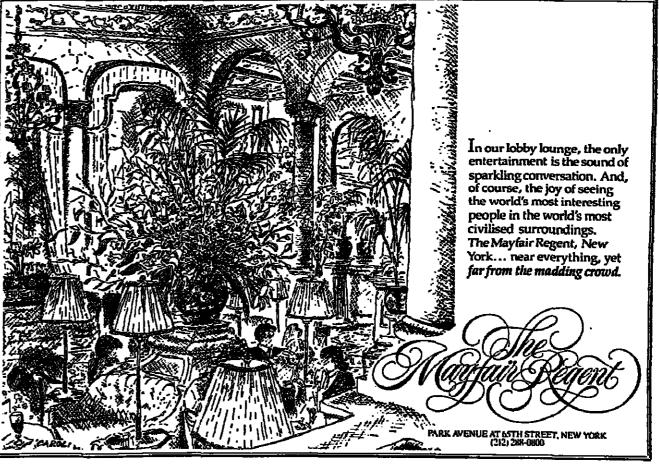
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NOTES — Prices on this page are as quoted on the incinidual exchanges and are last trades prices. (a) executionly if Dealings suspended, and Ex dividend, as Ex surje issue, at Ex rights



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And ask IPS for details

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FINANCIALTIMES

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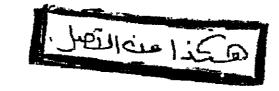
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NYSE COMPOSITE PRICES

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Madrid 5770909 And ask IPS for details **FINANCIAL TIMES** 

# puts end to early rally

SURGING OIL prices yesterday afternoon quelied the stock market's mild rally which had come on the expectation of lower interest rates after Mr Alan Greenspan's testimony, writes Karen Zagor in New

The Dow Jones Industrial Average closed down 15.84 at 2,489.36 after moving nearly 14 points higher at mid-session, compared with a fall of 10.64 to 2,505.20 on Tuesday. Volume was unexceptional, with 135.5m shares changing hands. Declining issues led those advancing by 954 to 556.

Equities opened the day on an uncertain note, trading in a narrowly mixed range, but started to recover after Mr Alan Greenspan, chairman of the Federal Reserve, described the recent budget pact as "a credible, enforceable reduction in the budget deficit". Mr Greenspan had said earlier that monetary policy would ease if a credible budget package were reached.

But equities turned lower as oil prices started to surge in the afternoon. November crude climbed \$3.50 to end the day at The bond market recovered

after Mr Greenspan's comments from some early profit-

VOLATILE TRADING in

Tokyo yesterday reflected the market's uncertain mood fol-

lowing its largest-ever single-day rise on Tuesday, writes

Michiyo Nakamoto in Tokyo. After a 13 per cent gain on

Tuesday, a more sober view

prevailed: in spite of peace initiatives, the Gulf situation had

not yet changed, while interest rates were still high and were

unlikely to reverse that trend.

A fall in bond futures prices

Investors, therefore, were fairly sceptical about the mar-

ket's ability to sustain its uptrend, and trading was jit-

tery. The Nikkei average rose

in early trading, fell signifi-cantly in the afternoon and closed with a loss of 49.02 at

22,849.39. The day's high was

23,462.89, breaching the 23,000 level for the first time in six

trading days. The low was

Gains led losses by 629 to 292 with 100 unchanged. Turnover

rose from 550m to 600m shares, the Topix index of all listed

stocks saw a minimal gain of 1.22 to 1,670.05 and, in London trading, the ISE/Nikkel 50 index was off 19.00 at 1,325.56.

Any worrying news trig-gered a negative reaction yes-

terday. In the morning, a temporary breakdown of the stock

exchange's computerised trad-ing system seemed to depress spirits. Investors also reacted

to reports that war had broken

out in the Middle East.

Towards the close, the market trimmed its losses when these

Securities. Many analysts

expected the market to take

some time to recover fully,

with investors increasingly selective about what they buy.

"Although we have hit a bottom for now, the market is still unstable, said Mr Mitsuru Mackawa at Jardine Fleming

reports were not confirmed.

22,578,02.

yesterday confirmed this.

taking, but the long end of the yield curve lost ground in the afternoon, with the Treasury's bell-wether 30-year bond down '/ for a yield of 8.86 per cent in late trading.
Mr Greenspan's comments

had a greater impact on the foreign exchange market, where the dollar dropped to DM1.5400 and Y135.80 before recouping some of its losses to trade at DM1.5425 and Y136.10. Among blue chips, Philip Morris added \$% to \$48%, IBM fell \$% to \$107%, Coca-Cola slipped \$% to \$41% and AT&T lost \$% to \$31%.

Higher oil prices pushed a number of oil issues higher. Texaco was quoted \$1 higher at \$61%, Chevron rose \$% to \$73%, Exxon \$% to \$49% and Amoco \$% to \$55%.

Similarly, oil service stocks benefited from the recovery in oil prices after losing ground at the beginning of the week, with Schlumberger adding \$1% to \$51%.

Unitys led the New York Stock Exchange's most-active list for a second day, and was quoted unchanged at \$3% after plummering \$1% on Tuesday.
There was also heavy trading in MCA yesterday, which
jumped \$3% to \$63% after the

Volatile trading reflects

new mood of uncertainty

Signs of this selectivity emerged yesterday. Strength

was seen in issues considered to be good value or less vulner-

able to external factors, while

many of those sensitive to interest rates remained weak. Among the former, the high-priced, high-technology blue chips fared well. Sony was up Y170 at Y6,800 and Pioner rose

Y150 to Y4,350. Several large-capital electricals suffered prof-

capital electricals sintered project-taking, however, with Hitachi down Y30 at Y1,300. Pharmaceuticals, which were favoured for their relative

immunity from interest rate worries, attracted buying. Dai-ichi Pharmaceutical was

selected for its anti-Aids drug, gaining Y170 to Y2,310.

Financials, which have fallen steeply recently, were lower as concerns remained

about their earnings outlook.

Bank of Tokyo lost Y40 to Y960

and Nomura Securities tum-

Expectations that a land tax under consideration would put

pressure on real estate compa-

nies sent the sector lower. It

was also expected to suffer

from further restrictions on

the banks' property lending. Mitsui Real Estate declined

in Osaka interest in electri-cals and pharmaceuticals grew, and the OSE average surged

1,193.27 to 25,350.33. Volume

was up from Tuesday's 31.9m shares, although was still sing-gish at 53.5m. Local companies attracted buying, with Nin-tendo up Y2,000 at Y21,000.

ENTHUSIASM over Tokyo's

early bounce proved short-lived, and markets tended to slip back gently yes-

terday.

BANGKOK was boosted by

short term speculation and

bucked the trend. The SET

index closed up 9.34 at 713.85 but well off its peak. Analysts

bled Y80 to Y1,560.

Y40 to Y1,300.

Roundup

company confirmed that it was in talks with Japan's Matsush-ita about a possible takeover of the US entertainment group.

Wal-Mart, the department store group which has long been a Wall Street favourite, dropped \$1% to \$27% on reports that Salomon Brothers sees the stock as over-valued. In the secondary market, the NASDAQ composite was off

NASDAQ composite was off 4.94 at 351.45 in late trading, continuing Tuesday's decline. With the prospect of a recession still looming, and in the absence of any major economic news, traders have concentrated on the bigger stocks.

Apple Computer slid \$2% to \$27 after the company said it planned to offer lower prices on its new personal computer models which will force the company's gross margins company's gross margins much lower.

TORONTO share prices traded in a narrow range to close lower in moderate trading. The composite index closed down 11.88 to 3,179.50 as declines led advances by 281 to 253. Volume of 20.29m shares valued at C\$173.8m was down from Tuesday's 23.84m shares

worth C\$263.7m. Gold stocks climbed 1.57 per cent with gold in New York rising US\$4.75 to US\$394.00. Among gold producers, Placer Dome rose C\$% to C\$20 and American Barrick gained C\$% to C\$25%

were not prepared to predict a halt to the three-month, 43 per

cent slide from July's index high of 1,143.78. MANILA also closed higher,

carried by the relative quiet on the political front, the staunch-

ing of a spate of selling and the

strong performance of overseas markets. The Composite index

volume halved to S\$67m from

moderately active profit tak-

gave back a portion of the pre-

dropped 42.93 to 2,862.55 after

Tuesday's bounce of 114.22. Turnover dipped to HK\$864m from HK\$1.017bn. Utilities and

property suffered the sharpest

AUSTRALIA did likewise.

The All Ordinaries index dropped 20.7 to 1,385.4 and turnover fell from A\$203m to

The Australian Stock

ing a threat to delist Bond Cor-

poration. The exchange suspended trading in Decem-ber after bank lenders put the company's Australian brewing

weaker Australian market

rather than a firm but volatile Tokyo. Light overseas buying met willing selling by local investors and lifted turnover from NZ\$9.2m to NZ\$17.2m as

the Barclays index closed 18.69 points lower at 1,498.45.

107.78. TAIWAN and SEOUL were closed for public holidays.

JAKARTA eased back 1.84 to

unit into receivership. NEW ZRALAND eased as cli-ents took direction from a

S\$135.9m

rose 11.89 points to 549.66.

## Renewed rise in oil prices Bad news from banks threatens bourse rally

THIS week's rally showed to post a marginal gain but vol-signs of fatigue yesterday, as a ume stayed low. Surprisingly number of banks produced dis-quieting news. Frankfurt was closed for Unity Day, writes

Our Markets Staff.

PARIS closed lower, the CAC
40 index losing 5.46 to 1,567.48
in spite of a late rally in
response to the freeing of nine response to the freeing of nine French hostages by Iraq, Presi-dent Mitterand's visit to Saudi Arabia and news that Iraq was considering freeing all French-men trapped in the Gulf.

Its mood earlier had been sound by further negative

soured by further negative response to Peugeot's first half profits, leaving the stock another FF122 lower at FF1515.

Suez, the investment bank, was the most actively traded stock, 384,150 shares changing hands on an extremely quiet day; bourse turnover was esti-

mated at only FFr1bn com-pared with some FFr2.4bn on Tuesday. Suez fell FFr10 to FFr277 on the disappointing half-year results from its 51 per cent stake in Sociéte Générale The commercial banking

group, Société Générale, fell FFr8 to FFr383. Dealers thought that it could fall more today, after reporting a 17 per cent fall in first half net late yesterday, and holding out lit-tle hope for a major recovery the year-end. MILAN reversed early losses

good mutual fund data for September, which showed a net inflow of L175bn, failed to spur the market higher. The Comit

index rose 0.82 to 579.50.

A decision by Consob, the stock market watchdog, to lift the August ban on short selling had little impact. Analysis were pleased, however, that Consob planned to publish details about short sales. details about short sales.

Banca Commerciale Italiana lost 2.64 per cent or L130 to L4,800 against the trend after the Ferruzzi group announced on Tuesday that it was cutting its ties with the leading state-centralled bank.

controlled bank.
Fiat fell L62 to L6,588. After
the market closed the company said it was holding a press conference on Thursday, fanning speculation of an imminent deal with Chrysler of the US. AMSTERDAM rose initially as investors sought defensive stocks like Unilever, which put on 40 cents to Fl 142.20, but the market fell back later in slow trading. The CBS Tendency index hit a high of 97.6 before easing back to close 0.30 lower

Van Ommeren Ceteco, the storage, trading and transport group, was actively traded as high as FI 41.80 before closing 40 cents lower at Fl 39.70 on mild talk of Scandinavian

inflicting unwanted pain on itself. Finnish institutional

investors' portfolios are full of

stocks; the larger institutions do not want to book heavy

losses by selling at low prices, and at the same time they are short of the liquidity to buy

more shares, even if the ones

they have are 37 per cent

cheaper than they were a year

Insecurity over the future is also deepened by the approach of parliamentary elections in

March 1991, as well as the

results of talks currently under

way between the EC and Efta

countries over the proposed European Economic Area (ERA). The EC announced this

month that it would not grant

Finland any concessions over

index and share price rebased (Sep 31, 1987 = 100) de Belgique

interest. Ahold slipped back after rising the previous day on news that it was lowering its takeover defence mechanism, closing 0.50 cents down at Fl 128.50. Rodamco contin-ued to be neglected, falling

BRUSSELS saw its gains of the two previous days wiped out by poor results from the flagship holding company Société Generale de Bélgique and the Luxembourg steelma-ker Arbed. The cash market index fell 28.52 to 5.134.41. SocGen dropped BFr110 to BFr1,990 after reporting a slide in first-half net profit on Tues-day and predicted a dive in full-year results. Arbed announced lower first-half

earnings yesterday and warned of weaker performance in the second half. It fell BFr200 to BFr2,990. STOCKHOLM had profits to

take, said Mr Jan Dwarsky of Barclays de Zoete Wedd, after a rise of 11 per cent on Monday and Tuesday. Last week, it put up the worst performance in the world, with a drop of 14.3 per cent in reaction to the trou-bles at several finance houses. The Affarsvärlden general index fell by 27.6, or 2.7 per cent to 981.9 in turnover which moved from a brisk SKr496m to a modest SKr323m.

The forestry group, Stora, fell by more than average, shedding SK:20 or 8.2 per cent

deteriorating bilateral trade

levels with the USSR, as well as economic problems in Swe-den, one of our main trading partners. There is just nothing positive to say about the Finn-

Mr Robert Sergelius of Arctos, the Helsinki broker.

Mr Raoul Lardot, an analyst working for the Helsinki-based Selin, believes there has been a

consensus within the country

that restrictions on foreign investors would be lifted by

'I believe that the present

economic situation and the

h economy these days,"

said that the movements of a number of shares had been erratic recently due to the lack

of liquidity. There was more substance behind the interest in Excessor, which fell in early morning trade, but rebounded in the afternoon to close SKr2 lower at SKr216. Later, the telecommunications major announced big contracts in the US. Singa-

pore and Mexico.

OSLO's all-share index fell.
5.69 to 540.09 in volume of.
NKr250m. Just after the close
the bank, Kredithasen, which
had closed NKr250 lower at NKr72.50, announced an NKr123m net loss for the first eight months of 1990; this sur-prised analysis who had expec-

ted it to continue in profit.

Kreditkassen also said that while it satisfied current can-tal adequacy rules, it did not meet new rules aimed at bring-ing Norwegian banks into line with European Community

banks in 1992.

ZURICH also saw weakness in banks, CS Holding bearers easing SF135 to SF13830 after Credit Suisse, the mainstay of the group, reported lower profits for the first nine months of this year. The Crédit Suisse index, meanwhile, shed 3.3 to

MADRID retreated from

The Helsinki Government

has taken some concrete steps

has taken some controls steps to bring foreign capital to Fin-land's capital markets. Pending parliamentary approval, one of the most important of these is the right of foreigness to own restricted shares through

The Bank of Finland also decided, effective last Septem-

ber 1, to allow the sale to for-

eigners of derivative instru-

ments based on Finnish shares

But analysts believe that

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# RIT SOL

global uncertainties facing

the effects that these small int

and warrants.

## Helsinki struggles to lift its veil of gloom

Unitas All-Share Index

has been sliding since autumn 1989, when gloomy economic forecasts and rising interest started to depress trading at the Helsinki Stock Exchange. After peaking this year at 677.3 on January 23, the index

half a century old continues to

It is now a moot point whether deregulation would do the market much good in the short term. Mr Timo Ronkainen of Unitas. Finland's largest stockbroking house, is pessi-

so pessimistic that nothing can keep prices up. Things might look a bit better if the performance of Finnish companies had not been so poor," he says wistfully. "We believe that profits after taxes of companies quoted at the Helsinki Stock Exchange will fall between 30 to 40 per cent this year [when compared with 1989]. This is a conservative estimate."

Analysts do agree that the

**SOUTH AFRICA** 

JOHANNESBURG drifted, and dealers said that the strength of the financial rand was preventing the market from stag-ing any useful rally. The JSE all-gold index closed 2 higher at 1,500 and the all share index eased 7 to 2.679.

Enrique Tessieri explains the case for and against foreign equity investment in Finland

foreign ownership of its forests

next 12 months," Mr Lardot the same time. We have elec-tions next year, the Gulf crisis. Helsinki Stock Exchange is

UMBLING share prices in Finland have encouraged stockbrokers, and bank and company presidents to debate the sensitive issue of lifting restrictions on foreign investment

The Unitas all-share index

fell below 600 in mid-April, below 500 in early-September, and hit a 1990 low of 425.0 on September 26. Yesterday it closed 24 higher at 432.8, but cynics commented that Helsinki was, as usual, merely a day behind events. A Restricting Act more than

SINGAPORE returned to its downtrend with brokers arguing that resilience in the US might provide impetus, but that the market was likely to remain under pressure through the week. The Straits Times index lost 17.94 to 1,119.27 and wolume halved to \$\$57m from prohibit foreigners from invest-ing directly in some key sec-tors of the national economy. HONG KONG declined on These include forestry, real estate, mining, refining, shipping and securities trading. ing, as players followed Wall Street's overnight example and Foreign ownership of Finnish companies is limited to 40 per vious day's steep gains. The Hang Seng index

"The mood in the market is

need to generate foreign capi-tal means that restrictions on foreign investment will be positive steps will have in the short term on the Helsinki lifted much sooner, within the To gain a foothold in difficult foreign markets, "buy-back" arrangements are frequently the only avenue open to exporters of plant and equipment. So before

winning the contract you must first

commit yourself to future product pur-

chases - only thus enabling the plant to

## In challenging export markets, suppliers often become buyers.

be financed.



BHF-BANK assists you here with its extensive experience in everything from consulting, organizing and financing buyback deals, for instance, to putting you in touch with buyers. Through credit lines. with foreign banks if the financing is to be supplied along with the exports. Through non-recourse financing when you, the exporter, wish to rule out the credit, currency and interest-rate risks. Through cross-border leasing, third-country financing and foreign guarantees.

A leading position in trade financing is only part of what it takes to make a bank a partner for the discerning export-oriented : customer. Equally important are personal service and customized problem solutions - the style of a merchant bank, which-BHF-BANK has cultivated for more than



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#### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		WEDNESDAY OCTOBER 3 1980							TUESDAY OCTOBER 2 1990				0	DOLLAR INDEX		
Figures in perontheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen index	DM Indez	Local Currency Index	Local % chg on day	Gress Div. Yield	US Dollar Index	Pound Starling Index	Yea index	DM Index	Local Currency Index	1990 High	1980 Low	Year ago (approx)
Australia (78)	135.82	- 1.5	105.98	116.85	109.03	108.63	- 1.7	7.06	137.95	108.30	119.38	111.53	110.47	158.31	125.85	158.93
Austria (19)	192.11	+0.4	149.91	165.28	154.21	154.31	-0.3	1.77	191.29	150.17	165.54	154.85	154.70	285.63	178.57	183.03
Belgium (61)	132.95	+0.1	103.74	114.37	106.72	104.10	-0.9	5.56	132.84	104.28	114.94	107.39	104.99	160.02	126.67	142.18
Canada (120)	128.33	-0.3	100.14	110.40	103.01	107.01	-0.5	3.74	128.78	101.10	111.43	104.10	107.52	153.61	127.51	153.65
Denmark (33)	244.89	+0.7	191.09	210.68 89.93	196.58	196.93	+0.1	1.51	243.14	190.88	210.41	196.56	196.76	277.62	234.05	199.09
Finland (26)	104.53 133.26	+0.2 +0.5	81.57 103.99	114.64	83.91 106.96	80.85 108.13	-0.1 -0.3	3.39 3.80	104.30 132.84	81.58	90.26 114.78	84.32 107.22	80.96 108.40	152.29 188.85	103.43	124.86
France (123)	111.64	+0.7	87.11	96.06	89.61	89.61	+0.0	2.51	110.85	104,13 87,02	95.94	89.61	89.61	144.63	124.98 101.38	138.13 103.06
Germany (91) Hong Kong (48)	117.03	- 1.2	91.32	100.68	93.95	116.60	-1.2	5.66	118.51	93.03	102.55	95.81	118.07	147.49	112.24	118.21
freland (17)	148.34	+5.2	115.75	127.62	119.07	120.26	+4.5	4.35	140.97	110.67	121.99	113.96	115.12	198.57	139.04	162.04
Italy (91)	86.20	+0.7	67.27	74.18	69.19	74.50	+0.1	3.27	85.62	67.22	74.09	88.22	74.43	109.26	80.87	83.35
Japan (454)	118.24	+0.2	92.27	101.72	94.93	101.72	-0.4	0.83	118.05	92.68	102.16	95.45	102.16	197.26	106.58	187.44
Melaysia (35)	185.19	-2.1	144.51	159.31	148.65	192.46	-21	3.18	189,13	148.48	163.68	152.89	196.56	250.89	182.98	206.88
Mexico (13)	490.88	+2.5	383.04	422.31	394.04		+23	0.33	478.75	375.85	414.29	387.04	1520.08	561,41	324.53	309.51
Netherland (42)	133.01	+0.6	103.79	114.43	106.77	105.69	+0.0	5.39	132.17	103.76	114.37	106.85	105.72	149.03	127,58	131.51
New Zealand (16)	57.53	-0.8	44.89	49.50	46.18	49.34	<b>-0.8</b>	7.04	57.99	45.53	50.18	46.88	49.75	75.36	55.62	82.62
Norway (28)	244.50	+0.1	190.79	210.35	196.27	199.28	-0.4	1.56	244.36	191.84	211.46	197.55	200.08	276.79	202.34	185.22
Singapore (25)	150.96	- 1.7	117.79	129.87	121.17	122.47	-1.7	3.44	153.53	120.53	132.86	124.12	124.58	209.24	147.24	164.93
South Africa (60)	163.64	+ 1.7	127.69	140.78	131.35	136.26	-0.2	4.28	160.85	128.28	139.19	130.03	138.54	251.39	160.85	158.10
Spain (42)	138.97	+0.4	108.44	119.56 152.96	111.55	101.91 150.09	-0.3	5.41	138.45	108.69	118.82	111.83	102.21	182.25	128.54	167.33
Sweden (27)	177.79	- 1.6	138,74 70,70	77.95	142.72 72.74	72.21	-2.1 -0.5	2.70	180.66	141.83	158.34 78.39	146.06 73.24	153.38 72.55	234.93	158.07	182.97
Switzerland (65)	90.60	+0.0	123.09	135.70	126.62	123.09		2.94	90.58	71.11		125.11	121.50	109.77	85.00	91.33
United Kingdom (300)	167.75	+ 1.9	97.98	108.03	120.02	125.56	+1.3	5.65	154.77	121.50	133.92			178.18	139.87	152.54
U\$A (533)	125.56	-1.3					-1.3	<u>3.91</u>	127.16	99.83	110.05	102.81	127.16	148.95	121.30	145.07
Europe (965)	133.13	+1.1	103.88	114.53	106.87	105.41	+0.4	4.42	131.70	103.39	113.97	106.47	104.95	157.65	124.91	131.71
Northe (114)	183.83	-0.3	143.45	158.16	147.57	145.47	- ġ.9	2.08	184,47	144.82	159.64	149.13	146.80	223.29	172.38	168.30
Pacific Basin (656)	118.69	+0.0	92.61	102,11	95.27	102.27	-0.5	1.27	118.65	93.15	102.68	95.93	102.80	192.75	107.82	183.70
Euro - Pacific (1621)	124.90	+0.5	97.46	107,44	100.25	104.33	-0.1	2.64	124.29	97.58	107.55	100.48	104.44	174.18	116.03	163.02
North America (653)	125.64	- 1.2	98.04	108.10	100.87	124.36	-1.2	3.90	127.17	99.84	110.06	102.83	125.89	148.43	121.59	145.48
Europe Ex. UK (665)	117.61	+0.5	91.77	101.20	94.43	94.80	-0.2	3.53	117,04	91.88	101.30	94.64	94.97	145.62	109.94	118.11
Pacific Ex. Japan (202)	123.19	-1.4	96.13	106.00	98,90	105.67	-1.5	5.21	125.00	98.13	108.18	101.06	107.29	146,72	121.14	138.74
World Ex. US (1814)	125.60	+0.5	98.01	108.07	100.83	105.12	-0. <u>1</u>	2.69	125.01	98,14	108.19	101.07	105.24	173.77	117.12	162.74
World Ex. UK (2047)	121.36	-0.4	94.70	104,41	97.43	110.30	-0.7	2.79	121.83	95.65	105.44	98.51	111.13	162.00	115.37	155.63
World Ex. So. Al. (2287)	124.38	-0.1	97.04	106.99	99.83	111.40	-0.5	3,10	124.54	97.77	107.78	100.69	111.98	161.84	118.04	155.32
World Ex. Japan (1893)	129.13	-0.3	100.76	111.10	103.67	115.89	-0.6	4.20	129.48	101.65	112.06	104.69	117.54	151.59	124.31	140.33
The World Index (2347)	124.59	-0.1	97.22	107.19	100.02	111.57	-0.5	3.11	124.76	97.94	107.97	100.87	112.15	162.05	118.33	155.34
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